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LawDebenture

ANNUAL REPORT

2023

The Law Debenture Corporation p.l.c.

LawDebenture

Law Debenture is an investment trust and a leading provider of independent professional services, listed on the London Stock Exchange.

Law Debenture named winners of the Investment Company of the Year Awards 2023 – UK Income category, for the third year running.

> "At the Investment Week 25th Investment Company of the Year Awards, in association with the AIC we were thrilled to, once again win this UK income category. The awards recognise managers in this important part of the market, who have delivered consistently for investors across a variety of sectors."
>
> Denis Jackson, Chief Executive Officer, Law Debenture

The shortlists for the awards were constructed using scores provided by the AIC, using Morningstar data. Investment companies needed a three-year track record to 30 June 2023 to be shortlisted and a market cap of £50m or above.

CEO Denis Jackson pictured collecting the Award at the *Investment Week* award ceremony.

Law Debenture wins the AJ Bell Investment Awards for the second year running.

> "Law Debenture has been named winner of the AJ Bell Investment Awards in the Active – Income category. Great recognition for our investment trust and the wider LawDeb."
>
> Trish Houston, COO, Law Debenture

Photographed with the Award, our COO Trish Houston and CEO Denis Jackson.

For more information visit our website:
https://www.lawdebenture.com/investment-trust

We believe Law Debenture has a highly differentiated and unique business model

Portfolio

c.80% of NAV*

including IPS and long-term borrowings at fair value[1]

Managed by James Henderson and Laura Foll of Janus Henderson

OBJECTIVE: LONG-TERM CAPITAL GROWTH IN REAL TERMS AND STEADILY INCREASING INCOME

- Focused on long-term returns
- Low ongoing charges ratio at 0.49%[2] compared to industry average of 1.20%[3]
- Contrarian investment style:
  - High quality companies with strong competitive advantage at attractive valuations
  - Out of favour equities standing at valuation discounts to their long-term historical average
- Selective, bottom-up approach
- Diversified portfolio by sector (predominant UK weighting)

Independent Professional Services (IPS) business

c.20% of NAV*

including IPS and long-term borrowings at fair value[1]

PENSIONS

The longest established and one of the largest UK providers of pension trustee services

CORPORATE TRUST

A leading independent corporate trustee across international capital markets

CORPORATE SERVICES

Range of outsourced solutions to corporates internationally

INTERNATIONAL PRESENCE:

United Kingdom, New York, Ireland, Hong Kong, Delaware, Cayman Islands and Channel Islands

We believe that all divisions have potential for further growth in expanding markets. Our plan to achieve this is by increasing our market share through better leveraging of technology, our strong relationships and our brand

Significant, consistent income contribution from IPS gives greater flexibility in stock selection

*Portfolio c.94% of NAV and IPS c.6% of NAV per the Group financial statements position. Please refer to the Company balance sheet on page 113.

1 Please refer to page 155 for an explanation of net asset value with debt and IPS at fair value.
2 Considered to be alternative performance measure and is described in more detail on page 156.
3 Source: Association of Investment Companies (AIC) industry average as at 31 December 2023.

Financial summary

	31 December 2023 £000	31 December 2022 £000	Change %
Net Asset Value – with debt and IPS at fair value[1]*	1,048,304	972,566	7.79
Total Net Assets per the statement of financial position	854,229	799,067	6.90
	Pence	Pence	
Net Asset Value (NAV) per share at fair value[1]*	802.67	761.69	5.38
Revenue return per share			
Portfolio	22.41	24.06	(6.86)
Independent professional services	11.02	10.38	6.36
Group revenue return per share	33.43	34.44	(2.87)
Capital return/(loss) per share	24.47	(103.17)	123.72
Dividends per share	32.00	30.50	4.92
Share price[4]	801	771	3.89
	%	%	
Ongoing charges[3]*	0.49	0.49	
Gearing[3]	13	12	
Discount/(premium)*	(0.21)	1.22	

For reconciliation of NAV at fair value per the above to published year end NAV please refer to page 36.

Performance

	1 year %	3 years %	5 years %	10 years %
NAV total return[2]* (with IPS at fair value and debt at par)	8.9	22.7	51.8	101.4
NAV total return[2]* (with IPS and debt at fair value)	9.4	35.1	62.4	111.9
FTSE Actuaries All-Share Index Total Return[4]	7.9	28.1	37.7	68.2
Share price total return[4]*	8.1	30.6	85.3	120.2
Change in Retail Price Index[5]	5.3	27.7	32.1	48.9
Relative performance (NAV at FV)	1.4	7.0	24.7	43.7
Relative performance (Share Price)	0.2	2.4	47.6	52.0

* Items marked "*" are considered to be alternative performance measures and are described in more detail on pages 155 and 157.

1 Please refer to page 36 for calculation of net asset value. Please note change in NAV per share in the financial summary does account for the effect of dividends on total return.
2 NAV is calculated in accordance with the AIC methodology, based on performance data held by Law Debenture including fair value of the IPS business and long-term borrowings. NAV is shown with debt measured at par and with debt measured at fair value and both total returns account for shareholder returns through dividends.
3 Ongoing charges are calculated based on AIC guidance, using the administrative costs of the investment trust and include the Janus Henderson Investors' management fee, charged at the annual rate of 0.30% of the NAV. There is no performance related element to the fee. Gearing is described in the strategic report on page 33 and in our alternative performance measures on page 156.
4 Source: Refinitiv.
5 Source: Office for National Statistics.

Key statistics

for the year ended 31 December 2023

8.1%*

Share price total return

(2022: 0.4%)

9.4%[1]

Growth in Net Asset Value – including debt and IPS at fair value total return

(2022: 0.6%)

Total Net Assets per statement of financial position percentage increase of 6.9% (2022: decrease of 9.08%)

1.2%*

Average premium in share price versus NAV (with debt and IPS at fair value) in 2023

10.5%

Growth in IPS profit before tax

(2022: 8.1%)

0.49%[2]*

Ongoing charges ratio – compared to industry average of 1.20% (2022: 1.04%)

(2022: 0.49%)

8.7%

5 year compounding annual growth rate in IPS profit before tax

4.9%

Proposed increase in 2023 dividend per share

(2022: 5.2%)

101.9%[3]

Increase in IPS valuation from 2018 to 2023

A consistent long-term out-performer

* Items marked "*" are considered to be alternative performance measures and are described in more detail on pages 155 and 156.

1 Please refer to page 36 for calculation of net asset value.
2 Ongoing charges are calculated based on AIC guidance, using the administrative costs of the investment trust and include the Janus Henderson Investors' management fee, charged at the annual rate of 0.30% of the NAV. There is no performance related element to the fee. Gearing is described in the strategic report on page 33 and in our alternative performance measures on page 156.
3 Calculated using the published fair value of IPS business over the past 5 years.

Past performance is not a guide to future performance. Capital at risk.

Law Debenture's investment proposition

135 years of history

Long-term track record

of value creation for shareholders

Strength and diversity of income

Flexibility and valuation uplift from IPS + consistent portfolio outperformance

Consistent dividend growth

45 years of increasing or maintaining dividends to shareholders (113% increase in dividend over the last ten years)

7.9% CAGR of dividend over the last 10 years

4.9% increase in 2023 DPS (2022: 5.2%)

c.39% of total 2023 (2022: 25%) dividend funded by our Independent Professional Services business

IPS enables greater flexibility in Portfolio holdings

IPS accounts for c.20% of the 2023 NAV but has funded c.34% of dividends over the last 10 years

Portfolio differentiators:

- Ability to hold zero/low dividend yield shares (eg; Ceres, ITM, Herald)
- Ability to avoid high dividend yield industries in structural decline (e.g. BAT)
- Ability to invest flexibly overseas

Focus on delivering long-term outperformance

Outperformance of our benchmark, the FTSE Actuaries All-Share Index, by 52.0% over ten years (47.6% over five years and 2.4% over three years)

Low ongoing charges ratio of 0.49% compared to industry average of 1.20%

IPS has a proven record of growth under the management team

CAGR of 11.3% in net revenue and 8.7% in profit before tax over last five years

Ambition to grow profits of IPS by mid to high single percentage growth

IPS valuation has increased by 111.4% between 2018 and 2023 to £185.1m[1]

UK weighting (88% Portfolio) has potential to outperform

UK has lagged global stock markets in recent years

Around 75% earnings of the FTSE 100 come from outside the UK

Significant UK valuation discount has attracted M&A activity

Providing real value with a combination of prudent decisions and responsive services

1 Increase in total annual valuation of Independent Professional Services business. For a calculation of this please refer to page 136.

Past performance is not a guide to future performance. The value of shares and income from them may fall as well as rise and investors may not get back the amount they originally invested. Capital at risk. None of the views expressed in this document should be construed as advice to buy or sell a particular investment.

LawDebenture

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Performance

Law Debenture has again performed creditably in the face of macroeconomic conditions which continue to be challenging for many consumers and businesses alike. 2023 saw global interest rates continue to rise to levels that are above those experienced for the majority of the period post the global financial crisis of 2008/09. Equity markets have also had to contend with global economic uncertainty, relatively high levels of inflation, combined with the ongoing war in Ukraine and the Israel/Palestine conflict, all of which has resulted in ongoing market volatility. Nonetheless, the combination of our diversified Portfolio and another good IPS performance has enabled Law Debenture to continue to deliver on its commitment to produce capital growth over the longer term and steadily increasing dividend income. Law Debenture’s long-term record of benchmark outperformance remains strong, with share price outperformance of the FTSE Actuaries All-Share Index over the last five years of c.48%. I am proud that Law Debenture has been a leading performer in the UK Equity Income sector over the long term, which reflects well on the hard work of our investment managers and talented employees.

Our benchmark, the FTSE Actuaries All-Share Index, delivered a 7.9% total return in 2023. The Company’s share price total return marginally outperformed this with a total return of 8.1% for 2023. The Net Assets Value (‘NAV’) with debt and the independent professional services (‘IPS’) business at fair value delivered a return of 9.4%.

We were delighted to receive recognition for all the hard work of our great team of people in the shape of two awards. At the 2023 Investment Company of the Year Awards in November, in association with the AIC, we were named winner in the UK Income category for the third year running and in the Active-Income category for the second year in a row at the September 2023 AJ Bell Investment Awards. The continued success in industry-leading awards demonstrates the excellent short and longer-term track record of our investment managers, supported by the IPS business.

Dividend

We retain a proud record of increasing or maintaining our dividend payments for the 45th year in a row. The current climate has naturally affected yields from our Portfolio, and it is likely that the enduring impact of the past year’s difficulties will continue to affect dividend flows. However, the consistent and reliable cash flows from our diversified IPS business have helped ensure that we can continue our strong dividend record. Subject to your approval, we propose paying a final dividend of 9.125 pence per ordinary share. The proposed 2023 dividend is fully covered by retained profits earned this year, with no requirement to call upon reserves.

The dividend will be paid on 11 April 2024 to holders on the register on the record date of 8 March 2024. This will provide shareholders with a total dividend of 32 pence per share for 2023, an increase of 4.9% compared with 2022. This represents a dividend yield of 4.1% based on our closing share price of 778 pence on 23 February 2024. Over the last 10 years, we have increased the dividend by 113% in aggregate which ranks Law Debenture very high versus its key sector peers.

Capital structure

In 2023, the Group issued 3.0 million new ordinary shares at a premium to NAV, to existing and new investors, with net proceeds of £24.2m to support ongoing investment. Shares were issued at a premium to NAV to be accretive to existing shareholders.

Our Portfolio

James Henderson and Laura Foll, our investment managers, continue to invest in a differentiated selection of well-managed and high-quality businesses with competitive advantage and good long-term growth prospects. Dividend income of £33.5m from the Portfolio was slightly lower than in 2022. This was driven by a combination of factors but most influential was a reduction in special dividend income in 2023. However, it is pleasing to report a total capital profit for the year of £31.7m. Of this, £37.4m relates to movements in the value of the holdings within the Portfolio.

We remain confident that James’s and Laura’s disciplined approach of buying at attractive entry point valuations will continue to deliver over the longer term for our shareholders. Pages 17 to 20 offer more detailed commentary on the Portfolio's performance with a review from our investment managers.

IPS

We believe our professional services business has been a crucial differentiator in driving consistent long-term outperformance compared to other UK income funds and, the Board believes, is well positioned to continue this, with a strong platform built in recent years from which to grow further. Although accounting for only c.20% of our NAV (with IPS and Debt at Fair Value), the IPS business has funded around a third of our dividends in the last 10 years and has now delivered a compound annual growth in profit before tax of 8.7% over the last five years. Through its strong cashflow and consistent mid-to high single digit growth rates, IPS enables our investment managers to build a more flexible Portfolio that includes both income and growth-focused stocks, rather than having to 'chase yield'.

In a year where many businesses faced a challenging trading backdrop, it is pleasing to see IPS continue to show robust overall growth. Some of our businesses benefit from a degree of counter-cyclicality, which is in part, why IPS had another year of creditable profit growth. This is underpinned by our specialist knowledge and record of providing excellent client service. Pensions recorded the highest revenue growth rate in 2023 but there is good momentum and grounds for optimism in a number of other areas. The Board is pleased to see continued good employee engagement and satisfaction scores and we remain focused on strengthening our processes and management information systems. With this ongoing investment in talent and technology, the Board is confident IPS has the potential to sustain mid to high single digit growth over the medium term.

Environmental, Social and Governance (ESG)

Our Executive Leadership team has continued their work to create a working culture that encompasses our four values: *Make Change Happen*; *Better Together*; *Believe It's Possible* and *Never Stop Learning*.

In 2023, we were ranked 1st in the Financial Services and 2nd overall amongst the FTSE 250 in the FTSE Women Leaders Review for the second consecutive year – an achievement that we are extremely proud of. We understand that gender balance needs to be treated as a business issue, not an HR issue or one for a dedicated DE&I team to manage alone.

We were pleased to host an expert panel in December alongside FTSE Women Leaders Review and INSEAD Alumni Balance in Business Initiative. Our panel chair, Avivah Wittenberg-Cox, and speakers, Fiona Cannon, OBE, Sarah Findlater and our CEO, Denis Jackson, shared practical guidance around how they have made change within their organisations, what has worked, and what hasn't.

Our IPS business is built upon the provision of independent governance services. A central tenet of this work is our commitment to diversity, and we are delighted that we have established a balanced gender pay gap position and have strong female representation both at Board and senior executive level, with women making up 56% of the senior leadership team.

As an organisation, we believe that long-term growth is underpinned by sustainability. This presents opportunities for investment in the IPS business. It has a relatively small carbon-footprint compared to other FTSE 250 groups but, over the years, we have taken steps to further reduce this, most notably with our choice of office space.

Further, as part of our commitment to the ESG agenda, Law Debenture has continued to make voluntary disclosures in relation to Task Force on Climate-Related Financial Disclosures ('TCFD'). This can be found on page 51.

Our investment managers remain committed to investing in businesses that have a sustainable business model and carefully take ESG into consideration when making investment decisions. For more details please see page 49.

The Board

Tim Bond will retire from the Board at the close of the 2024 AGM having served nine years. We thank him for his invaluable contributions over the years and wish him the best for the future. At the same time, we welcome Maarten Slendebroek who has extensive experience in financial services, including as CEO of Jupiter Fund Management for five years from 2014 until 2019, having joined the firm as Strategy and Distribution Director in 2012. His key skills and experience include fund management and investment, strategy, corporate finance, ESG matters and distribution to investors.

Looking forward

The end of 2023 brought some tentative optimism from investors that inflation and the cost-of-living crisis will be at less elevated levels going forward. This improved equity market backdrop still has, however, to contend with interest rates that look likely to stay at significantly higher levels than those experienced for the majority of the period post the global financial crisis of 2008/09.

The majority of the Portfolio is invested in UK equities, although many of the earnings are derived from outside the UK. James and Laura continue to believe that UK market valuations remain low in both absolute and relative terms and offer some attractive longer-term growth opportunities with a lot of bad news already priced in. Many UK companies are leveraging their robust balance sheets and good cash flow to consider share buy-backs. In addition, many overseas corporates and private equity firms continue to see ongoing attractions in UK company valuations. Companies with robust business models and supportive long-term trends are now frequently overlooked by investors who cannot see past a gloomy UK economic environment. Law Debenture is well positioned with a long-term focus and a clear emphasis on the value provided by the companies we invest in.

The Board and our investment managers therefore remain confident in our future medium-term performance, due to the diversified and resilient nature of our Portfolio and the good growth potential for IPS. Its services are generally well sought after, its brand reputation is good and the market share opportunities remain significant. During these uncertain macroeconomic times, our consistent delivery has only been possible due to the good work of our investment managers and our skilled workforce. On behalf of the Board, I would like to thank them all, as well as our shareholders, for their continuing support.

Robert Hingley
Chair of the Board
26 February 2024

Chief Executive Officer's review

Introduction

2023 has been an encouraging year overall for Law Debenture, despite continued macroeconomic uncertainty. Elevated levels of inflation and interest rates proved to be challenging for many consumers and businesses alike. Despite this, Law Debenture's overall performance reflected well on the Group's ability to adapt to a changeable economic climate and navigate short-term headwinds. We delivered on our two main objectives, producing NAV growth and continuing to increase income for shareholders. Our total share price performance and NAV modestly outperformed the index again, we are proud to have had our 45th year of maintaining or increasing dividends.

In this context, James Henderson and Laura Foll have continued to perform well. The Group takes great pride in our long-term record over one, three, five and ten years, with consistent outperformance of the benchmark, the FTSE Actuaries All Share Index and compared to our key sector peers. We see this as continuing validation of our consistent strategy. Law Debenture offers a cost-effective way to access an active and expertly managed portfolio and provides good liquidity to investors given the size of our market capitalisation.

James and Laura have a consistent and proven valuation-driven process which aims to identify market-leading, high-quality companies that are undervalued at the point of purchase. It is a testament to the continued outperformance and the investment team that Law Debenture has won another two prestigious investment trust awards this year – the UK Income category at the Investment Company of the Year Awards 2023, for the third year running, and the Active Income category at the AJ Bell Investment Awards.

Our IPS business has delivered its sixth consecutive year of middle to high single digit revenue and profit growth. The economic backdrop over this extended period has been volatile and generally uncertain, which makes IPS's performance all the more noteworthy. The Group takes considerable pride in IPS's strong and consistent record with a five-year CAGR in PBT of c.8.7%.

IPS business net revenues (gross revenue less direct costs incurred) for 2023 rose by 11.8% to £50.5m (2022: £45.2m) and profit before tax was up 10.5%. The diversification of our income streams again served us well, with Pensions an especially strong performer. We continue to invest to ensure our IT infrastructure and wider operating model are fit for purpose as we seek to further scale and sustain our medium-term growth ambitions, whilst also working hard to ensure our profit margins are sustainable.

We have placed significant focus on cash and debtor management within our IPS business. The benefit of this has been magnified as a result of the change in the interest rate environment, meaning that the cash we hold in IPS has generated a good return for our shareholders. Overall, we continue to target mid to high single digit growth in profit going forward.

> We delivered on our two main objectives, producing NAV growth and continuing to increase income for shareholders

For 135 years, we have stuck to our principles of independence, trust and excellence. Our investment for growth over the last six years has positioned us well for the future. I am encouraged by the new business wins in 2023 and by our strong client relationships, which means that approximately two-thirds of our business is repeated year on year. As we continue to face a relatively uncertain macroeconomic environment in 2024, our aim is that IPS should continue to provide an element of structural growth and counter-cyclical revenue that will support our overall performance. High-quality governance services should remain core to our clients, regardless of the economic cycle.

Chief Executive Officer's review continued

We are proud to have delivered a 113% increase in dividends per share over the last ten years, with 45 years of increasing or maintaining dividends.

DIVISION	Net revenue 2019 £000	Net revenue 2020 £000	Net revenue 2021 £000	Net revenue 2022 £000	Net revenue 2023 £000	Growth 2022/2023 %
Corporate trust	9,024	10,789	9,771	10,620	12,473	17.4%
Pensions	10,598	11,479	13,060	14,343	17,396	21.3%
Corporate services	12,167	12,226	18,755	20,206	20,640	2.1%
Total	31,789	34,494	41,586	45,169	50,509*	11.8%

*Total net revenue is calculated by reducing segment income of £58,543k by cost of sales of £8,034k. Please refer to note 6 for the IPS segmental analysis.
Corporate services: 2021 includes additional revenue arising from the acquisition of the CSS business from Eversheds Sutherland (International) LLP.

We are proud to have delivered a 113% increase in dividend over the last ten years. This record has been supported by the diversified nature and consistently strong performance of IPS, which makes Law Debenture a unique investment trust. The flow of income from IPS has funded around 34% of dividends over that period. This gives James and Laura the flexibility to invest in a broader and higher-growth portfolio than many sector peers, helping to position the Portfolio for future longer-term growth.

Corporate trust

Law Debenture was incorporated to act as a bond trustee in 1889. The role of a bond trustee is to act as a bridge between the issuer of a bond and the individual bondholders. Our responsibilities as bond trustee can vary materially whether servicing performing or defaulted bond issues.

Normal obligations for the bond trustee to support performing issues could include communication to the bond holders of financial or security data, together with the distribution of covenant information. For this work, we are typically paid an annual fee throughout the lifetime of the bond. This fee is inflation linked for the majority of our existing book of business. When an amendment to bond documentation is required, we can also earn additional revenues to complete the necessary changes.

When bonds default, the work flow, risk and revenue profiles of our role can change significantly. A key duty of the bond trustee is to be the legal creditor of the issuer on behalf of the bondholders. Our role in such default situations often requires incremental work that, given a favourable outcome, can lead to significant additional income for us. That said, defaults often take years to play out and the results are uncertain. Given this long-dated and fluctuating backdrop, our revenues for this work in any specific calendar year can be somewhat lumpy.

However, such post-issuance work has strong economic countercyclicality and has produced sound returns for our shareholders over time.

Market dynamics

Following two very challenging years, deal volumes in primary debt markets remained patchy in 2023. Primary debt issuance in Europe recovered modestly by 11% (source: Dealogic) off a low base. However, Primary Debt Issuance volumes in Asia (excluding Japan) were down by 18% (source: Dealogic) and overall issuance levels remain significantly below those experienced in 2019 to 2021 (source: Dealogic). Perhaps unsurprisingly, given the tough primary market conditions, major banks, brokers and other participants in this market continue to reduce capacity in this area.

Our post-issuance work increased modestly during the year. Bankruptcies continued to rise from historically low levels across our main market in the UK (source: ONS). The combined effects of the withdrawal of stimulus packages provided during the Covid pandemic, inflation levels that in some cases hit 40-year highs in major developed economies (source: ONS) and higher interest rates has exposed many businesses to challenges of which they have limited institutional memory. We do not wish distress on any of our client base, but it would not be a surprise if demand for our post-issuance services were to increase as we move further through this economic cycle.

Highlights

Following a solid 8.7% growth in net revenues in 2022, we are pleased to report net revenue growth of 17.4% in 2023 despite the difficult market environment.

As we noted last year, the majority of the capital markets transactions that sit on our books have been built up over many decades, and have contractual inflation-linked fee increases for

Chief Executive Officer's review continued

our services. These fee increases are applied on the transaction anniversary. Consequently, as higher levels of inflation have filtered through since late 2021, associated inflation-linked increases have fed through to our book of business.

Despite challenging primary market conditions, there were notable new transactions that we completed during the year which included acting as both security agent and facility agent on the inaugural debt raise (£175m credit facility) by Pulse Clean Energy. The proceeds of this issue will be used to support the development of multiple new energy storage and grid stability facilities across the UK, as well as the acquisition of 30MW of battery assets in Manchester, which will come online next year. We also supported Yondr Group in their project to develop a 40MW data centre in Bischofsheim, Frankfurt. Again, Law Debenture acted as both security agent and facility agent on this complex project financing for the construction and development of the data centre.

Our expertise in Japanese Convertible Bonds is well known and we were delighted to be involved with issuances for long-established names such as Tokyo Corporation, Kobe Steel Ltd and OSG Corporation. Closer to home, we also closed new deals for household names that included Metrobank, GSK and National Grid.

Our escrow business continues to grow steadily. During 2023, we were appointed to a well-diversified range of transactions that included mergers and acquisitions, litigation, commercial real estate, source code, sporting events and global trade in commodities.

Outlook for our corporate trust business

As we have mentioned many times, on a year-to-year basis, levels of both primary market activity and post-issuance work are hard to predict. We do know that post-issuance work has a strong economic counter-cyclicality and that we have a long-established, well-diversified book of business. This underpins a high-quality element of recurring revenue, built on enduring client relationships. At the time of writing, it appears that inflation levels are dropping quite rapidly. Over the last two years, we have benefitted from elevated inflation due to the large element of contractual inflation linkage in our engagements. Correspondingly, we will face downward pressure on the growth rate of our revenues as inflation decreases.

Eliot Solarz was appointed to head our Corporate Trust business at the beginning of 2018. Over the past six years, he has reinvigorated a business that celebrates its 135th anniversary this year. We have added to our product mix, broadened our range of technical knowledge and significantly raised our external profile. At the same time, our commitment to the pillars on which the business was built, namely trust and independence, domain expertise, and an ability to move fast, have been reinforced.

We are confident that, over time, we can continue to grow this business within our stated target range of mid to high single digits annually.

Pensions

Under the leadership of Vicky Paramour, we are the longest-serving, and one of the largest, independent providers of Pension Trustees in the UK with over 200 appointments. In 2023, we continued to support our existing clients as well as bring new clients into our Portfolio.

Our Pegasus offering of outsourced pensions executive solutions, led by Sankar Mahalingham, continues to be a leading provider in a competitive market. It also continues to develop new services that further support our clients and demonstrate our investment and commitment to the industry.

Market dynamics

Coming into 2023 after the LDI crisis of September 2022, many UK pension schemes were still getting to grips with changes in their funding position. A large number of schemes were finding that their aspiration of reaching self-sufficiency or being in a position to insure their pension liabilities through buy-in appeared achievable over a relatively short time horizon. However, the Mansion House reforms in July and then the changes announced in the Autumn Budget statement highlighted the Government's desire to encourage pensions schemes to consider running on and investing in UK corporations.

These developments have led to pension schemes re-examining their long-term strategies. Some schemes are looking to accelerate their journey to buy-in with others re-structuring their funding and investment strategies for run-on. This was reflected in an increasing demand for professional trustees with both buy-in and continuation expertise, as well as broader governance support.

The UK Pensions Regulator's General Code was announced in January 2024 and the Defined Benefit Funding Code is also expected to come into effect during 2024. We have continued to support our clients in enhancing and improving their governance arrangements and preparing for the introduction of these changes.

2023 was an interesting year for the Pensions Trustee market with further consolidation amongst providers. Although this has increased competition, we have continued to see a steady flow of new opportunities and we believe we remain well positioned for the longer term.

Highlights

2023 was another strong year for our Pensions and Pegasus business, with growth in net revenue of 21.3%. Over the past five years, compound net revenue growth is a healthy 13%. In our core Trustee business, we were delighted to add incremental appointments that included names such as Aviva MasterTrust, ArvinMeritor, Lafarge UK Pension Plan, Aggregate Industries Pension Plan and SLB. A notable 2023 appointment for our Jersey office included The RBS International Pension Trust. Ireland continued to grow its book of business with some strong wins. The Manchester-based Pensions team is also growing and they have firmly put Law Debenture on the map for opportunities in the North of England.

Case Study: Boots Pension Scheme Buy-In

Law Debenture's Alan Baker is Chair of Trustees for the Boots Pension Scheme. In 2023, the Trustee of the Boots Pension Scheme agreed a £4.8 billion buy-in with Legal & General (L&G) to insure all 53,000 members, making it the largest single transaction of its kind. The Trustees' key objective was to provide added long-term protection to members' benefits by removing market uncertainty, longevity risk and reliance on the long-term covenant of Boots.

The company wanted to complete the transaction in 2023. This was challenging as the scheme had significant investments in illiquid assets. Insurers and advisers were tasked to come up with innovative solutions to give price certainty and certainty of execution within that timeframe. The Trustee ran a full tender process to agree the insurer and found L&G's solution to be the most compelling.

The solution included:

- Selling some assets on the secondary market.
- Selling some illiquid assets to existing investors with the support of the relevant fund manager.
- Transferring some assets to the insurer in-specie.
- Warehousing some assets on Law Debenture's balance sheet while Legal & General took on responsibility for the sale of them.

The other challenge the Trustees faced was the shifting size of the deficit. A cash injection from Boots was required to make this deal work. In a scheme this size, a small movement in the liabilities relative to the assets can have a big impact on the amount of cash required and there was a risk that the whole transaction might become unaffordable. As soon as it became clear that a full buyout was within reach, the Trustee, with the support of the Company, began to reshape the assets to better align with the insurer's pricing to mitigate this risk – largely by selling down volatile liquid assets and aligning rates and inflation hedging. Excellent project management and a strong focus on collaborative working between the Company and the Trustees ensured good prioritisation. As a result, the Scheme will not be reliant on Boots to pay benefits to members and their members' pensions will be protected for decades to come.

In the last twelve months, we have helped deliver over 15 large buy-in transactions for our clients. This includes the largest single transaction to date between the Boots Pension Scheme and Legal & General (see case study) and the first ever super fund transaction between Clara Pensions and the Sears Retail Pension Scheme.

We continued to evolve our approach to providing Corporate Sole Trustee services, with a particular focus on new offerings specifically designed for smaller schemes looking for holistic cost-effective governance solutions. The Pegasus business continues to broaden its range of services to meet the needs of our clients. We are seeing increasing demand for Guaranteed Minimum Pension equalisation projects – projects to remove historical gender inequalities in pension provision. Support for de-risking projects has also increased, as schemes work to deliver their chosen endgame strategy.

We also provide outsourced pension executive services and interim support for in-house teams that have resource issues. We now cover the full range of responsibilities, including administration and investment oversight, as well as more traditional governance duties.

We welcomed 10 new members of staff into the Pensions team in 2023, including senior additions Scott Pinder as Head of Corporate Sole Trustee Services, Ian McKinlay as Director of Investment Services for Pegasus and Lok Ma as an investment specialist in our Trustee team.

Outlook for our Pensions business

2024 promises to be a year full of pension policy changes with new guidance and legislation expected. This will cover new disclosure and governance requirements, measures to ensure value for members in DC schemes as well as proposals on consolidation. In addition, we continue to see increased interest in mechanisms to avoid trapped surplus within pensions schemes. Our own escrow business has worked with a number of schemes looking for solutions in this area.

This constantly changing financial and regulatory environment underlines the need for increased professionalisation of pension trusteeship and strong governance. We are well placed to deliver on this challenge and believe that demand for our expanding range of pension trustee and governance services will continue to increase steadily over time.

Corporate services

Corporate Services comprises four constituents: Structured Finance Services, our whistleblowing division, Safecall, Service of Process (SoP) and our Corporate Secretarial Services business (CSS). The combined result of these businesses in 2023 as revenues being approximately flat. This reflects strong progress in our Safecall and small Structured Finance areas, a largely flat revenue contribution from CSS, and a difficult year for our SoP business.

Chief Executive Officer's review continued

Service of Process (SoP)

SoP – *Market dynamics*

This is our business with the fewest recurring revenues and with the greatest dependency on global macroeconomic factors and deal flow in capital markets. Our long history in this market informs us that, from one year to the next, revenues can vary significantly and market conditions can be quick to turn.

SoP – *Highlights*

The widely reported slowdowns reported in GDP growth, particularly in developed markets (source: IMF), combined with the difficult market conditions in primary markets (covered in the Corporate Trust section above) have, unsurprisingly, made for a challenging year. We ended the year with revenues marginally down.

Despite slowdowns, we have not been inert. We have increased investment in training for our staff and in our referral partner relationships. We have much improved systems which is enabling a more proactive approach to business development. We are confident that SoP will remain a material contributor to our profits over financial market and economic cycles.

Critical to SoP's long-term success has been the leadership of Anne Hills, soon to celebrate her 39th anniversary with the Company. A recent visit to Hong Kong reminded me first hand of both her and our Company's excellent global brand for this service.

Corporate Secretarial Services (CSS)

CSS – *Market dynamics*

Law makers and regulators worldwide continue to raise the bar for Corporate Governance standards, which underpin demand for our services. Our current focus includes solutions that will support companies in navigating the new UK Corporate Governance Code requirements and the fundamental changes to the way in which companies will interact with Companies House as a result of the Economic Crime and Corporate Transparency Act.

We have been solving client challenges in this sector for over twenty years and operate in three main products areas:

Managed services: Global Entity Management services (GEMS) provide a single outsourced point of contact to multinational corporations to ensure that their legal entities are kept in good standing. Client appointments vary in scale and coverage, ranging from a single legal entity in one country at its simplest to over 300 subsidiaries in 50 countries at its most complex. We are paid a fixed annual fee for annual compliance and corporate records maintenance. We may also earn incremental revenues from additional projects such as incorporations and dissolutions, the co-ordination of global corporate change projects and entity validation work. Effective workflow management and use of technology are critical to compete effectively and we continue to invest heavily here. We have teams based in our Manchester, Hong Kong and Dublin offices, as well as a dedicated, UK-focused entity management team in London.

Corporate governance services: We offer a complete range of board and committee support, from full outsourced company secretarial support to attending and minuting meetings, board evaluations and governance reviews. We also have expertise in providing practical company secretarial support to companies preparing for an IPO transaction. Our clients range from major Main Market and AIM listed companies, including investment trusts, to leading UK operating subsidiaries of top global brands. Our fees are often fixed annual fees for specifically scoped mandates but can also be time or project based. Demand here is often for skilled professionals with prior experience in a particular industry and/or governance framework who can seamlessly transition work from an in-house setting to an outsourced provider. This team in based in London.

Interim resourcing: We can provide immediate access to qualified governance professionals, whether on-site or remote, full time or part time, as required by the client. Typically, we are paid on a time-spent basis, but also complete some work on a fixed-fee basis. This team is based in London.

CSS – *Highlights*

We continue to invest in and restructure CSS. We have increased our headcount in this business by over 50% since its acquisition from Eversheds Sutherland (International) LLP just under three years ago. The progress that we have made in our operational infrastructure and improved client delivery in our CSS offerings during 2023 did not filter through to our revenues which were broadly flat. However, we remain confident that the significant investments that we have made in new people, skills, technologies and operational workflows will underpin sustainable growth over time.

During 2023, we invested in a dedicated business development resource and, as a result, our sales pipelines are improving. I am

Case Study: TBC Bank Group

Each year the Financial Reporting Council (FRC) undertakes a review of FTSE 350 annual reports and provides feedback on areas of improvement and highlights examples of good practice. We act as Company Secretary for TBC Bank Group plc and one of our responsibilities is drafting the governance sections of the annual report.

TBC Bank Group plc were mentioned twice by the FRC for examples of good practice. Firstly for its disclosures regarding stakeholder and workforce engagement, the FRC highlighted that TBC Bank Group had not only disclosed what matter to its stakeholders but had also gone further to detail issues that had been raised and how they had been addressed. Secondly the company reported on its data and technology committee setting out its activities in relation to its cyber security governance. Both instances demonstrated examples of the company being at the forefront of governance reporting.

> I am confident that IPS is well positioned for medium-term growth, in line with our mid to high single percentage target.

delighted that a number of multinationals joined our GEMS client roster on multi-year deals with effect from January 2024. The project nature that is naturally embedded in a significant element of the CSS revenue stream demands constant replenishment. It is pleasing that there have been a number of wins during 2023 with both existing and new FTSE 250 and AIM listed clients on the corporate governance services side.

We remain confident of our ability to increase our market share over time in a growing market driven by increased regulatory demands.

I would like to thank Trish Houston who, in addition to her COO responsibilities, has led this business for the past 16 months after returning from maternity leave. From 1 January 2024, Trish will focus fully on her role as COO and the much-improved CSS platform and its leadership now reports directly to me.

Structured Finance Services

Structured finance services – *Market dynamics*

Demand for our special purpose vehicle (SPV) management and accounting services fluctuates directly with the demand for raising funds via secured bond issuances. The market remains very competitive and is driven by the cost of raising finance by this method, compared with other means.

Loan agency services are dependent on the appetite for outsourcing administration work on syndicated loans and we have seen an increase in enquiries from financial institutions for this role.

Whilst our paying agency services are dependent upon the market fluctuations in mergers & acquisitions work, we are seeing increase demand as law firms are stepping away from providing this role.

We operate in three main product areas:

Management of Special Purpose Vehicles ('SPVs') and other similar corporate structures: We provide directors, accounting and day-to-day corporate administrative services to entities set up to help financial institutions, including challenger banks and boutique asset managers (private equity and hedge funds) seeking to diversify their funding using securitisation techniques. The SPVs are established to raise funds in the bond/loan markets which are then used to acquire distinct pools of assets (including mortgages, receivables, credit card debt, aircraft, whole businesses etc.) against which the funds are secured. The funding is non-recourse, meaning that the funds raised only have recourse to the pool of assets on which they are secured and to no other party.

Accounting services: We provide management and statutory accounting services to corporate entities who wish to outsource this area or where they do not have local accounting knowledge. We do not provide audit services to clients.

Facility and Paying Agency services: We manage and provide outsourced administration for corporate loans and facilities by acting as a conduit between multiple lenders and a single borrower. Our paying agency services relate primarily to managing the payments for law firms involved in M&A transactions. Unlike facility agent work, which provides recurring fees, paying agent services generally incur one-off transaction fees.

The competitive landscape in each of these three areas is dominated by larger providers with long-established relationships. We are a small player in the sector, which is dominated by private equity-backed competitors. Thanks to Mark Filer and his team, we continue to receive consistent praise from our clients and are growing our market presence steadily.

Structured finance services – *Highlights*

Despite capital markets new issuance levels being challenged during 2023, we were delighted to receive repeat appointments from a number of leading names operating in the sector, including Atom Bank and LendInvest. Our facility and paying agent business also grew steadily during the year. Gratifying too was to see rewards from our business development efforts, with an increasing number of professional firms around the country referring business to us.

Quotations for new business and wins were both at new high levels, which resulted in pleasing revenue growth.

We have a sound product and good momentum. Our challenge is to raise our profile with a broader universe of clients and referral partners in order to accelerate our growth.

Whistleblowing: Safecall

Safecall – *Market dynamics*

Regulatory frameworks and standards continue to be strengthened across the developed world. News headlines are increasingly underpinned by some sort of whistleblowing activity. Early adopters were often larger entities, but smaller

Chief Executive Officer's review continued

and mid-sized employers are increasingly seeing the value of an independent and trusted partner to deliver this service. Investors are increasingly demanding a robust, independent whistleblowing structure to be in place prior to allocating capital.

All enquiries are dealt with by our highly-trained staff that continues to consist largely of former police officers. The quality of the work they do for our clients receives high praise. A number of competitors in the sector run business models based off low-cost call centres. We have every intention of remaining a premium provider of high-quality product.

Safecall – *Highlights*

We provided a record number of reports to our clients in 2023, up 15% on 2022. Towards year end, digital channels (as opposed to voice) accounted for over 70% of issues raised. We delivered increased client functionality via our portal in 2023 and client feedback is encouraging. We rebranded our offering and launched a new website in Q4. We have more to deliver here in 2024 but are increasingly confident in our ability to compete effectively for larger mandates as they come up for renewal.

Under the successful leadership of Joanna Lewis, we have expanded our training and investigations offerings and have made solid progress, doubling revenues in this service in 2023.

Once again, we experienced strong year-on-year revenue growth, with a significant number of new relationship wins. Among the 132 new clients we onboarded in 2023 were Whitbread, Balfour Beatty and Imperial College London.

As well as the investment in our technology platform, we will add further capacity and expertise to the operations team, managed by Tim Smith. Moreover, we will continue to add further resource to our sales, account management and marketing initiatives in order to accelerate our growth.

It is a really exciting time to be a provider of solutions in this fast-growing sector.

Case Study: Adidas – the largest sportswear manufacturer in Europe, and the second largest in the world

We spoke to Dr Markus Kuerten (Vice President Compliance & Privacy) and Wesley Hagemann (Director of Compliance) about their experience working with Safecall

"We chose Safecall as our whistleblowing services provider because we did not have the internal resources to operate a 24/7 reporting mechanism. We wanted to offer availability in terms of time and language to our employees.

As a client, our experience with Safecall has been excellent. We have a long history of working together and are happy with the service provided, especially the quality of the call handlers. They accurately capture the reports and complaints, and their reports are precise and well-written. The call handlers foster real discussions and ensure confidentiality, which encourages employees to provide full insight and information. The reports we receive, especially from telephone reports, are actionable and of high quality. We appreciate the stability of the Safecall team and the sense of familiarity we have with them.

From a regulatory and compliance perspective, Safecall has been instrumental in helping our business. The EU Whistleblowing Directive introduced key mechanisms and requirements that Safecall complies with, ensuring our global compliance. Safecall's service elements and best practices meet the compliance requirements across the world. Safecall's offering goes beyond compliance: it is a crucial element in Adidas' commitment to empowering the voices of our workers and creating the best working community possible."

Central Functions

A refreshed five-year plan for the IPS business as a whole by the Senior Leadership Team was a key piece of work undertaken during the year.

The larger and more consistent the earnings growth within IPS, the more optionality it creates for the Managers of the Portfolio to deliver on our objective of long-term capital gains and steadily increasing income.

In order to grow our earnings and dividends, we need to focus on growing our capital and we have approximately doubled the revenues and profits for the IPS business over the past six years. The aim is to approximately double these again over the next five years. We expect our growth to be largely organic, but we continue to be open to opportunities presented by acquisitions where we believe this could add value to our clients and shareholders.

Our business development teams, overseen centrally by Suzy Walls, are increasingly joined up and ambitious. We have a structured programme to deepen and broaden our referral partner relationships. We are strengthening our ties with industry bodies and continue to optimise our output using digital channels to raise our profile. Our calendar of industry events is anchored around the Law Debenture Debate for Pensions in May (now in its 21st year) and our Lens Photo competition in January (now in its 7th year). We also continue to build momentum around our Law Firm Reception in early September (now in its 4th year).

In October, we held a well-attended Golden Jubilee party for our business in Hong Kong as the city emerged from a particularly difficult period during extensive Covid lockdowns.

Our improved business pipelines are a function of thousands of individual touch points and increased commitment to our firm-wide business development initiatives is helping to build positive momentum.

Chief Executive Officer's review continued

We are encouraged by good new business momentum and continue to invest in operational fitness, talent and technology to ensure we gain market share and maintain longer-term growth.

As we have noted in past annual reports, we are making a significant investment in modernising our central support functions. With oversight from our CFO, Hester Scotton, we have made substantial improvements, including changing our general ledger accounting system and establishing our shared service centre in Manchester. During the second half of 2023, we started the process of onboarding a new PSA (Professional Services Automation) operating system. As we look to double the size of our IPS business over the next five years, it is critical that we do this in a controlled and sustainable manner. To enable this, we are moving towards a new Target Operating Model that we will embed across the IPS business during 2024. We have also added capacity to our Legal team, overseen by Kelly Stobbs, our General Counsel.

We have invested further in our HR team to support our headcount globally, which is now nearing 300. We have much increased rigour around appraisals process and career frameworks. We held our third annual culture week in July and have a number of clubs that have gathered good support from within the employee base. Our charity community group also raised its ambitions with two volunteering days at the Whitechapel Mission towards the end of the year. During 2024, we will continue to build on our cultural vision.

Information Technology

Our IT strategy is centred around being flexible users of third-party software applications. We want our businesses to be easy to find, easy to engage with and easy to use. We had a number of successes in this regard under our Chief Technology Officer's, David Williams, leadership in 2023.

Safecall added several new modules to its client portal, including deliveries that help to support expanding investigation efforts. In CSS Global Entity Management, we delivered a new client interface that enables clients to view legal entity work status. In both cases, our employees and our clients are viewing outputs in real time. We will continue to build on our technological capabilities.

It is important that we receive third party certification of our technology standards to give confidence to all our stakeholders. I am pleased that Safecall are well on their way to achieving ISO 27001 certification, the leading international standard focused on information security, by mid-2024.

Towards the year end, we rolled out a digital workplace project across the UK offices. This consists of improved system access, new laptops, headsets, meeting room technology and network infrastructure. In addition to the ability to work more effectively when on the move, it improves our ability to work collaboratively with our clients. This roll-out required significant investment in new hardware, moving us on to a modern platform built around hybrid/mobile working. In addition, we added resource focussed solely on IT security.

From January 2024, David Williams will report to our COO, Trish Houston, to ensure that all of our operational improvements are as effectively joined up as possible.

Prospects

Law Debenture is well diversified and resilient by design. The combination of IPS with the Portfolio is a well-proven model and I am cautiously optimistic about the Group's progress in 2024 and beyond, despite an external environment which is expected to remain challenging. I am confident that IPS is well positioned for medium-term growth, in line with our mid to high single percentage target. We continue to look for opportunities to grow IPS through organic investment in some of our fastest growing businesses. We are encouraged by good new business momentum and continue to invest in operational fitness, talent and technology to ensure we gain market share and maintain longer-term growth.

On behalf of the Board, I want to thank my colleagues for their excellent dedication to developing Law Debenture's client service. I am also very grateful for the continued support of shareholders.

We are cognisant that 2024 will likely present its own set of challenges but, given the modest current valuation of the UK equity market, we are optimistic about the investment opportunities we can see. We believe James and Laura have constructed a well-diversified portfolio of strong and well-managed businesses on relatively low valuation multiples, capable of delivering attractive capital returns, and further increases in dividends, over the medium term.

Denis Jackson
Chief Executive Officer
26 February 2024

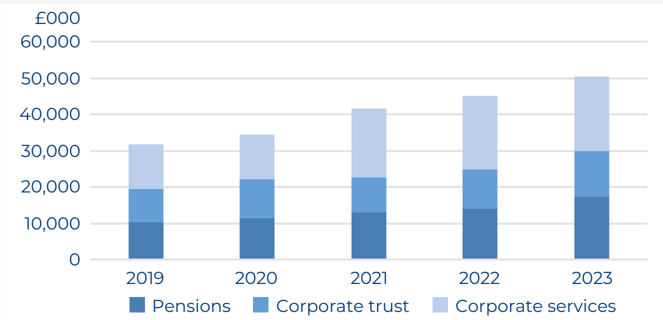
IPS 5 year performance at a glance

IPS net revenue and PBT – 5 year performance

Department	2019 £000	2020 £000	2021 £000	2022 £000	2023 £000	5yr Revenue Variance £000	5yr Revenue Variance %
Pensions	10,598	11,479	13,060	14,343	17,396	6,798	64.1%
Corporate trust	9,024	10,789	9,771	10,620	12,473	3,449	38.2%
Corporate services	12,167	12,226	18,755[1]	20,206	20,640	8,473	69.6%
IPS net revenue	31,789	34,494	41,586	45,169	50,509[2]	18,720	58.9%
% Net Revenue growth	7.5%	8.5%	20.1%	8.6%	11.8%		
Profit before tax	11,465	12,227	13,340	14,422	15,936	4,471	39.0%
% PBT growth	9.4%	6.6%	9.1%	8.1%	10.5%		

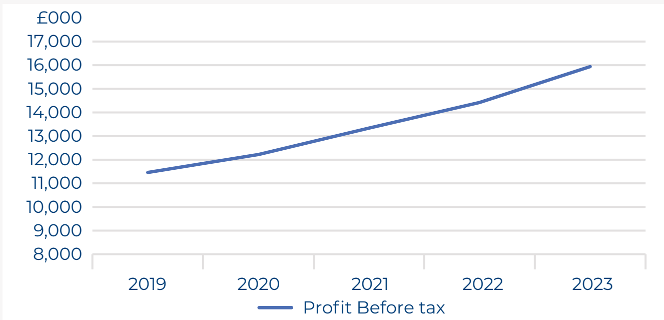
1 Includes revenue from the acquisition of the Company Secretarial Services business from Eversheds Sutherland (International) LLP.
2 This figure is included in the income statement by subtracting cost of sales of £8.0m from gross revenue of £58.5m.

5 YEAR IPS NET REVENUE



Source: Law Debenture as at 31 December 2023.

5 YEAR PROFIT BEFORE TAX



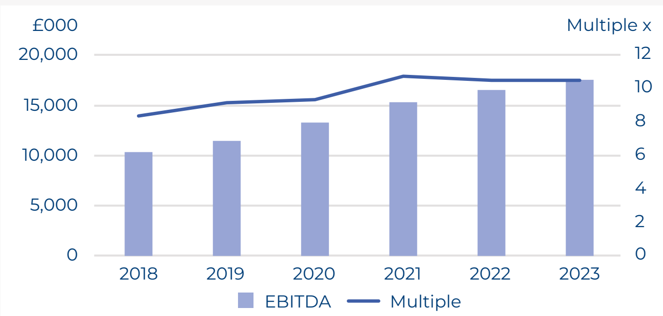
Source: Law Debenture as at 31 December 2023.

IPS Valuation

	31.12.2018 £000	31.12.2019 £000	31.12.2020 £000	31.12.2021 £000	31.12.2022 £000	31.12.2023 £000	5yr growth %
EBITDA	10,424	11,515	13,335	15,369	16,588	17,625	69.1%
Multiple	8.4	9.2	9.4	10.8	10.5	10.5	25.0%
IPS fair value (excluding net assets)	87,562	105,938	125,349	165,985	174,174	185,063	111.4%
NAV adjustment: total value less net assets already included	78,439	91,860	112,407	135,885	148,376	160,836	105.0%

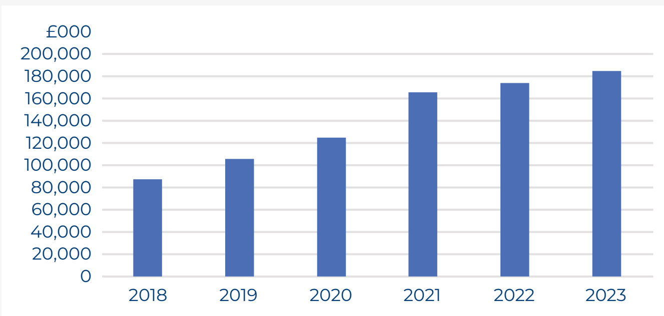
See page 35 for commentary on the IPS valuation.

IPS EBITDA & APPLIED MULTIPLE



Source: Law Debenture as at 31 December 2023.

TOTAL IPS FAIR VALUE (excluding net assets)



Source: Law Debenture as at 31 December 2023.

Investment managers' review

Our investment strategy

The investment approach adopted has not changed for many years, but it has hopefully been improved with lessons learnt. There is a relatively long list of stocks which allows for a blend of large, medium and small companies. There are overseas holdings where a similar company cannot be found in the UK market or the overseas company is cheaper. Over 80% of the Portfolio is in UK quoted companies at present, as this is where we are finding superior value despite concerns about the UK economy. The belief behind portfolio construction is that genuine diversity in the holdings is how capital is preserved in the long term. We employ different approaches to how we look at potential investments. Around 50% of the Portfolio is in FTSE100 companies. These are, we believe, sound long-term investments and they are often well-known companies that feature in other portfolios with similar objectives. However, it is what you do differently to others that makes you perform differently. The structure of a cash-generative operating company and a Portfolio gives the opportunity to have a wider range of investments and still produce an attractive level of earnings. Therefore, unusually for an income growth trust, there are investments that do not pay a dividend. Early-stage small companies and operationally challenged large companies feature. The small companies that succeed will give substantial returns, while large companies that have a recovery plan that they implement with determination will in time return to paying dividends at a considerably higher share price. The different elements of the Portfolio, when blended together, provide real diversification of underlying operating activities. It does mean there are usually around 150 holdings and we do not go over 175. The absolute stock-specific risk is relatively low compared to the index and the exposure to small and medium-sized companies has contributed, in the long term, to the better performance of your Company.

Economic and market backdrop

The central economic debate in 2023 was the balance between bringing down inflation while avoiding recession. Consensus opinion for economic growth ultimately proved too pessimistic.

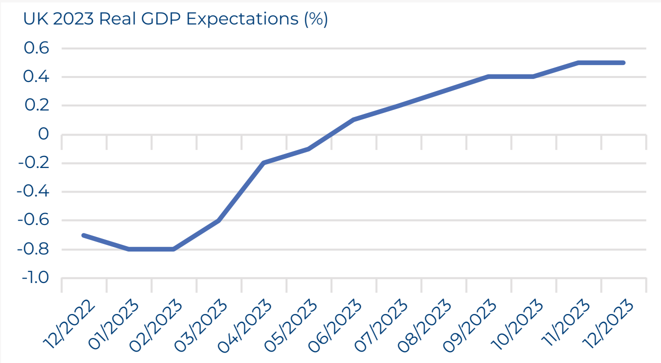
Investment managers' review

Alternative Performance Measures	1 year %	3 years %	5 years %	10 years %
NAV total return (with IPS at fair value and debt at par)[1]	8.9	22.7	51.8	101.4
NAV total return (with debt and IPS at fair value)[1]	9.4	35.1	62.4	111.9
FTSE Actuaries All-Share Index total return[2]	7.9	28.1	37.7	68.2

1 NAV is calculated in accordance with AIC methodology, based on performance data held by Law Debenture including fair value of IPS business. NAV total return with debt at par excludes the fair value of long-term borrowings, whereas NAV total return with debt at fair value includes the fair value adjustment (see page 155).
2 Source: Refinitiv Datastream, all references to 'FTSE All-Share' and 'benchmark' in this review refer to the FTSE Actuaries All-Share Index total return.

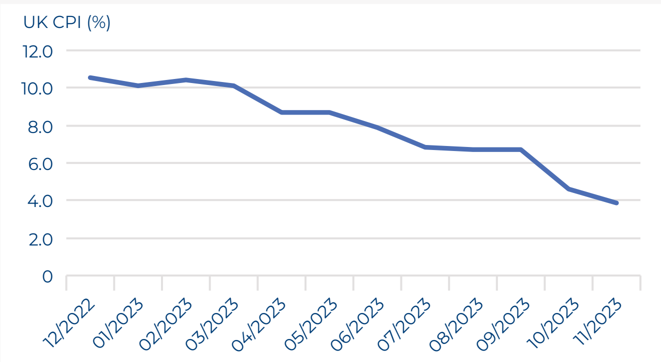
At the time of writing, real GDP growth in 2023 looks likely to be closer to 0.5% growth. The chart below shows how UK real GDP expectations progressed over the course of the calendar year:

PROGRESS OF UK REAL GDP EXPECTATIONS



Source: Bloomberg.

THE DYNAMIC OF UK INFLATION



Source: Lazarus Economics.

The swing factor in the economy was always likely to be the UK consumer and whether they were willing to draw down on their pandemic savings to smooth cost-of-living pressures. This has proven to be the case, with more resilient retail sales than expected, benefitting some of this Portfolio's largest holdings such as Marks & Spencer. From an inflation perspective (the second chart above), while there was some persistence to UK inflation during the summer months (largely caused by nuances surrounding the energy price cap), over the course of the year inflation fell from over 10% to below 4%. This meant that, by the end of the year, the UK consumer was again receiving real wage growth.

As we look ahead to 2024, we see that a similar dynamic has the potential to occur again. Consensus currently expects modest 0.4% real GDP growth. However, household cash flows (after all essential expenses such as energy and food bills) have the potential to grow mid- to high-single digit, aided by good levels of nominal wage growth. We therefore see the potential for a better UK economic backdrop than is widely forecast.

Performance

Our aim as portfolio managers is to outperform the FTSE Actuaries All-Share benchmark over both the short- and long-term. It is our view that our structure of the Company provides a favourable backdrop for this, as it broadens the investible universe beyond higher dividend-paying shares. When we come on to look in more detail at stock attribution, in a similar pattern to recent years, it is often the lowest dividend-paying shares that have been among the best performers.

In 2023, the Portfolio performed approximately in line with the FTSE Actuaries All-Share benchmark. Unlike in 2022, when good performance in the UK equity market was heavily dominated by large companies in the FTSE 100, this year share price performance was more balanced across different sizes of company. Performance drivers were therefore more esoteric, driven by individual stock performance. While 'recovery' holdings such as Marks & Spencer and Rolls-Royce performed very well, these were balanced by some poor performers, predominantly within the natural resources and financials sectors. We will now examine the stock-specific performance drivers in more detail.

Top five gains

Top five absolute contributors to performance:

Stock	£ Appreciation	% Appreciation
Rolls Royce	25,243,022	287.0%
Marks & Spencer	11,603,227	134.4%
HSBC	5,195,260	23.2%
Hill & Smith	4,898,816	62.8%
Senior	4,436,460	41.5%

Source: Law Debenture. Note performance figures are capital only, not total return.

Rolls-Royce and Marks & Spencer, while clearly very different businesses, arguably have similar reasons for their strong performance this year. Both have long had potential for successful turnarounds – Rolls-Royce has won considerable market share in supplying engines for the next generation of wide-bodied planes, while M&S has long had a successful food business while clothing and home profitability had dwindled. Both have seen recent management change that have proven the catalyst for an earnings (and share price) recovery. It is important to note that, in both cases, the dividend yield is low (or indeed zero in the case of Rolls-Royce). When companies are in the midst of recovery, it is often right to pause dividend payments, as companies may be in a cash consumptive phase that often comes with substantial restructuring costs. These positions would therefore be challenging to hold, in size, within a traditional income fund structure. Our Group structure is therefore an advantage in being able to hold, in scale, these 'recovery' holdings.

In the case of M&S, it was the new Chairman (Archie Norman) in 2017 that spurred the change. It was at this point that the business recognised the need for a fundamental re-set – closing legacy stores, lowering prices on both sides of the business to become more affordable and reducing (in clothing) the sometimes overwhelming amount of items on offer (instead becoming more focussed, with buying in greater depth that allowed better buying terms, as well as better availability). These changes, put in place over a number of years, have become gradually more apparent, but it was only this year that we began to see a series of material earnings upgrades following market share gains in both categories.

In the case of Rolls-Royce, their technical expertise had long been apparent. However, the shares had struggled for external reasons (namely Covid, with the long-haul market, served by wide-bodied planes, being particularly slow to recover) and company-specific reasons, in particular a frustration that market share success had not translated into substantial cash generation. These historical frustrations have been (at least) partially resolved this year, with passenger demand for travel continuing to recover and, under a new CEO, the company announcing material cost savings and ambitious free cash flow targets. The ongoing aerospace market recovery also aided another of the best performers this year, Senior, which makes aerospace components.

HSBC performed well, aided by rising interest rates, although, relative to the benchmark, it was a detractor (as the position is comparatively smaller than that of the benchmark). Hill & Smith, an industrial conglomerate with significant exposure to the US infrastructure market, also performed well on structural growth in many of its end markets.

Top five losses

Top five absolute detractors from performance:

Stock	£ Depreciation	% Depreciation
Anglo American	(5,879,700)	(40.4%)
Ceres Power	(5,577,078)	(70.2%)
i3 Energy	(4,133,490)	(53.7%)
NatWest	(2,983,500)	(17.3%)
Indus Gas	(2,951,570)	(71.1%)

Source: Law Debenture. Note performance figures are capital only, not total return.

While in 2023 Rolls-Royce saw favourable end markets combined with 'self help', Anglo American in effect saw the opposite. There were undoubtedly challenging operating conditions, for example cyclical demand weakness in diamonds (where they own De Beers) and power and transport outages in one of their key geographies, South Africa. These external factors combined with self-inflicted issues, such as a material downgrade to production guidance for copper, which is seen as one of the key sources of future earnings growth for the shares. We continue to hold the shares on the grounds that, relative to, for example, copper-focussed peers, they present good value with the prospect for earnings recovery, but undoubtedly this year's operating performance has been disappointing.

Ceres Power has made progress operationally, but investors are disappointed that there has been no large licensing deal signed with China and more generally the uptake in hydrogen fuel cells is slower than was initially hoped. Due to substantial profits taken in the shares at a higher share price, Ceres remains the top contributor to Portfolio performance over the last five years.

Commodity prices such as natural gas spiked in the immediate aftermath of the war in Ukraine. However, this year there was a degree of normalisation, which impacted commodity producers such as i3 Energy and Indus Gas.

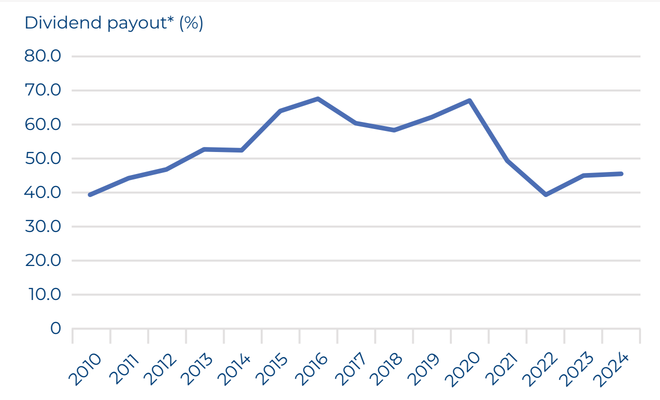
Within financials, NatWest was a poor performer, both in absolute terms and also relative to its key UK peer, Lloyds (also held in this Portfolio). While, at the start of the year, NatWest looked more attractive from a valuation perspective and therefore was a bigger position in this Portfolio, the banking sector has a remarkable ability to snatch defeat from the jaws of victory. A steep rise in interest rates should be a positive for bank margins, but shares have often performed poorly despite this. In this case it was Nigel Farage being 'debanked' and the subsequent departure of the CEO that led to poor performance.

Investment managers' review continued

Portfolio income

During the year dividend income totalled £33.5m, down modestly from last year's £34.4m. The key difference between the two years was a lower level of special dividends in 2023, in particular from the mining and banks sectors. As we look ahead to 2024, in our view the backdrop for UK dividends is encouraging as the dividend payout ratio has been reset to more sustainable levels following Covid.

BACKDROP FOR UK DIVIDEND INCOME



* Dividend payout represents dividend per share as a percentage of earnings per share.
Source: Lazarus Economics.

Portfolio activity

During the year we were modest net investors, investing £37m. This net investment was largely matched by a rise in the Trust's net asset value and some share issuance, meaning gearing at calendar year end rose only modestly, reaching 12.7% at year-end, compared to 12% at the beginning of the year.

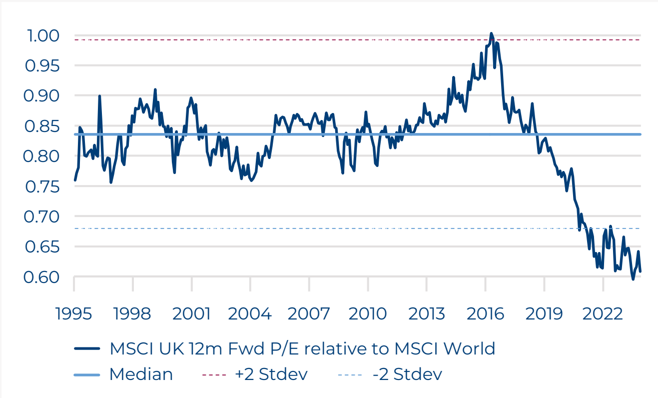
The approach is to take a long-term view about the holdings we will buy as our confidence grows and valuations remain undemanding and sell when these factors are going in the opposite direction. We are always looking for opportunities to refresh the Portfolio in an opportunistic way. The property sector has had the perfect storm in recent years with interest going up and changes in behaviour such as the move to online from physical stores in retail, while in the office area the move to working from home has altered property requirements. These problems have meant the share prices for quoted property stocks have been very weak in recent years. They are trading at substantial discounts to the recent asset values. This is an opportunity for good operators in property to show their worth. Purchases were made in Shaftesbury, which has an iconic London portfolio of properties, and Workspace which repurposes properties to uses the economy of today needs. These companies add value to their properties under management and, when interest rates stabilise, their strengths should come to be recognised by investors. It is important to focus on companies that genuinely add value in their activities rather than just hope they will be helped by a change in the economic conditions. Holdings were also built up in Johnson Matthey and Air Products, both well-managed companies that will benefit from the move towards alternative forms of energy. There were also a number of positions built up in smaller companies in order to refresh the Portfolio for the future.

On sales, two of the largest were taking profits in US companies that have operated well but where the valuation is now relatively high given the macroeconomic headwinds, namely Caterpillar and Applied Materials.

Outlook

There is a long list of investor concerns. They range from major global conflicts to the seemingly low productivity of the UK economy. However, we do not own shares in an economy but rather dynamic companies with management teams that will deal with the circumstances they find. It is usually the general worries that have led individual company share prices to fall to historically low levels. These low valuation levels are apparent at both the UK market level (see chart below) and the Portfolio level.

JPM UK V ROW PE DATA NOVEMBER 2023



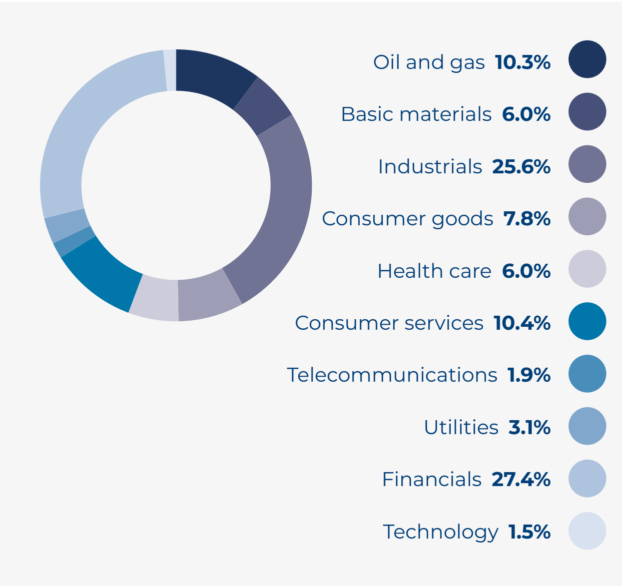
Source: Bloomberg.

The prospective Price Earnings Ratio for the Portfolio, at sub 10 times, is substantially lower than its historical average. The Portfolio yield has looked this high before but that was before dividends were going to be cut in the banking crisis. This time, the dividend cover is relatively high and there is little hopeful thinking in the projections. For all the confidence at a stock level, it will probably need some lift of the gloom about the macro picture for share prices to appreciate. The most obvious event will be when interest rates are cut, especially if it is from a position in which there is no actual recession being experienced. In the meantime, we will focus on companies that are managing themselves in a way that positions them for long-term growth, through providing excellent product and services to their clients. This is the best way to face economic uncertainty.

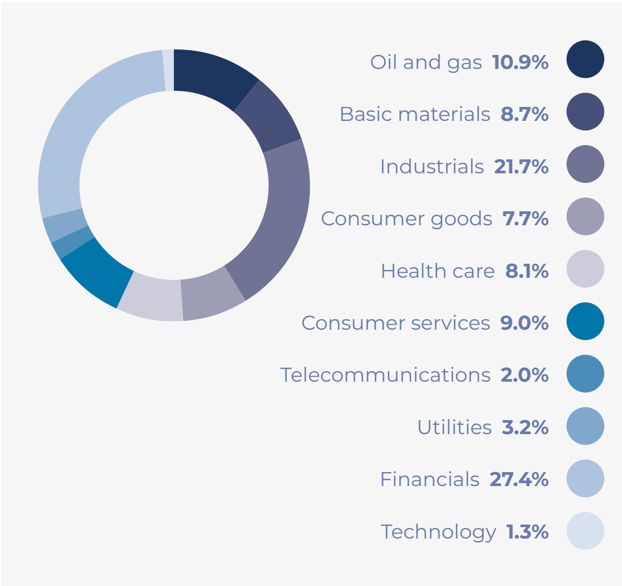
James Henderson and Laura Foll
Investment managers
26 February 2024

Portfolio by sector and value

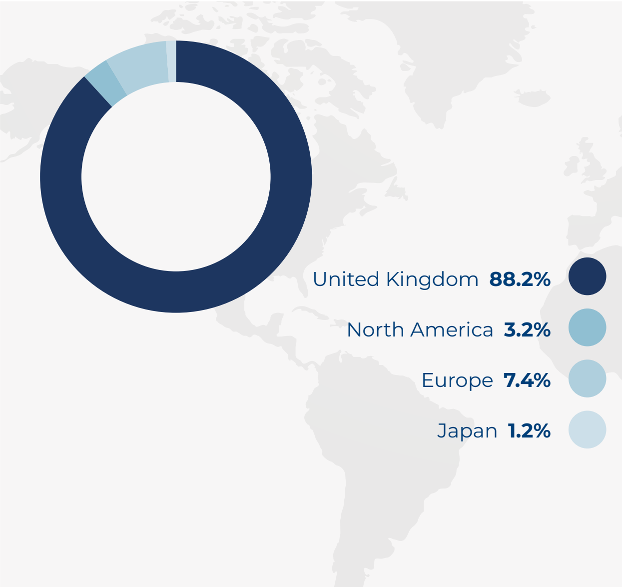
Portfolio by sector
2023



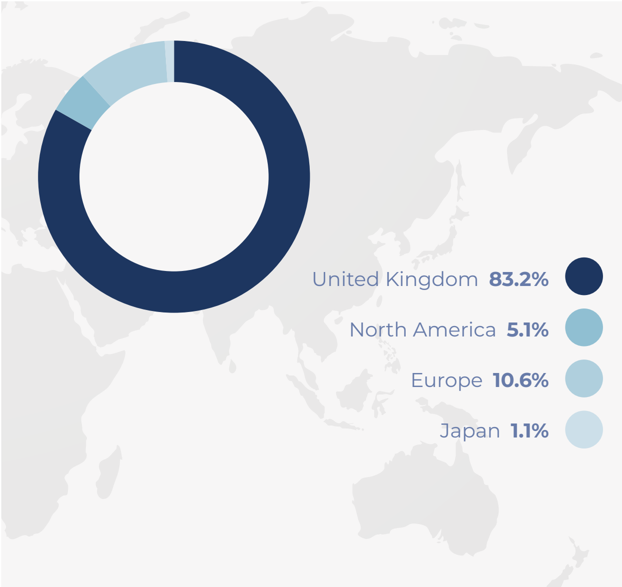
Portfolio by sector
2022



Geographical distribution of Portfolio by value
2023



Geographical distribution of Portfolio by value
2022



Fifteen largest holdings: investment rationale

as at 31 December 2023

Rank 2023	Company	Location	% of Portfolio	Approx Market Cap.	Valuation 2022 £000	Purchases £000	(Sales) £000	Appreciation/ (Depreciation) £000	Valuation 2023 £000
1.	**Rolls Royce**	UK	3.85	£69.76bn	8,797	3,223	—	25,243	37,263
Rolls-Royce is a designer and manufacturer of engines for use across a number of end markets, most materially civil aerospace. They have won significant market share on the next generation of wide-bodied planes, where flying hours are recovering post Covid. Under a new CEO they are reducing costs and have laid out ambitious medium term goals for cash generation.									
2.	**Shell**	UK	3.32	£105.76bn	29,075	—	—	3,044	32,119
Shell is a vertically integrated oil & gas company, with significant exposure to natural gas within its production mix. The business is highly cash generative at current commodity prices, allowing attractive cash returns to shareholders as well as funding significant capital expenditure. The company is targeting net-zero carbon emissions from it's own operations and the use of the end products it sells by 2050, with an intermediary target of 50% emission reduction by 2030.									
3.	**HSBC**	UK	2.85	£124.56bn	22,360	—	—	5,195	27,555
HSBC is a large global lender and financial services business. It provides geographic diversification to the Portfolio while becoming more focused on geographies where they are among the market leaders.									
4.	**BP**	UK	2.74	£85.18bn	27,069	—	—	(498)	26,571
BP is a vertically integrated oil & gas company. Similar to Shell it is highly cash generative at current commodity prices, providing optionality for the company to both fund significant capital expenditure and return cash to shareholders. The company aims to achieve net zero carbon emissions by 2050 or sooner across its own operations and the products it sells.									
5.	**Rio Tinto**	UK	2.26	£46.67bn	21,743	—	—	165	21,908
Rio Tinto is a diversified miner with significant exposure to iron ore. As a results of its low position on the cost curve, it is able to remain cash generative despite volatility in commodity prices and pays an attractive dividend yield.									
6.	**Marks & Spencer**	UK	2.25	£3.67bn	8,631	1,558	—	11,603	21,792
M&S is a food and clothing retailer. After a long period of underperformance it has been reinvigorated under a new Chairman and management team. It is regaining market share in both clothing and food at good margins, meaning substantial earnings upgrades were achieved during 2023.									
7.	**Flutter Entertainment**	UK	2.23	£11.32bn	17,492	—	—	4,084	21,576
Flutter is a global gambling provider and owner of brands such as Paddy Power and Betfair. It is successfully rolling out in the US as states gradually legalise gambling, providing a potential route to substantial earnings growth in the medium term.									
8.	**GlaxoSmithKline**	UK	2.08	£69.91bn	19,983	—	—	175	20,158
GSK is a global pharmaceutical company. It has had some success in recent years with launched products such as a shingles vaccine and, more recently, an RSV vaccine for older adults. The shares trade at a valuation discount to global pharmaceutical peers that in our view is unjustified.									
9.	**Barclays**	UK	1.96	£15.63bn	19,498	—	—	(583)	18,915
Barclays is one of the largest lenders in the UK as well as owning a global investment bank. It trades at a lower valuation than many of its peers because of scepticism that the investment bank can generate good returns. On evidence of better execution on, for example, Investment Bank cost discipline it could have potential to re-rate from its low starting valuation.									
10.	**Senior**	UK	1.57	£0.79bn	10,682	—	—	4,436	15,118
Senior produces specialist components for use across aerospace and industrial end markets. The civil aerospace market was significantly impacted by Covid and is still in a period of recovery. This means there is scope for further earnings growth at Senior, while the business remains well managed.									

Fifteen largest holdings: investment rationale continued

as at 31 December 2023

Rank 2023	Company	Location	% of Portfolio	Approx Market Cap.	Valuation 2022 £000	Purchases £000	(Sales) £000	Appreciation/ (Depreciation) £000	Valuation 2023 £000
11.	**Tesco**	UK	1.52	£16.47bn	11,888	—	(619)	3,404	14,673
Tesco is the largest food retailer in the UK. It has used its scale to its advantage, setting prices at competitive levels for the consumer while generating good levels of free cash flow, much of which is returned to shareholders via dividends and share buybacks.									
12.	**BAE Systems**	UK	1.50	£13.94bn	11,128	—	—	3,309	14,437
BAE is a global provider of defence equipment and systems. The shares have performed well in recent years on higher defence spending as well as good execution under a new management team.									
13.	**Lloyds Banking Group**	UK	1.48	£32.41bn	13,623	—	—	689	14,312
Lloyds is one of the largest lenders in the UK. The rise in interest rates from historically low levels has enabled it to generate higher returns while the valuation remains modest. It pays an attractive dividend yield.									
14.	**NatWest**	UK	1.48	£22.15bn	17,238	—	—	(2,983)	14,255
NatWest is one of the largest lenders in the UK with a strong position in both retail and SME lending. Their returns have improved materially in recent years as interest rates have risen, while they have also paid an attractive dividend yield to shareholders.									
15.	**National Grid**	UK	1.43	£28.19bn	13,058	—	—	793	13,851
National Grid is a regulated utility company with assets in both the US and the UK. The need to reduce carbon emissions, for example via electric vehicles, is likely to put increasing pressure on electricity networks and therefore creates the need for significant future investment. In time this should mean faster regulated asset growth. Within the overall Portfolio mix the shares should act defensively and pay a good dividend yield.									

Classification of investments

based on market values as at 31 December 2023

	UK %	North America %	Europe %	Rest of the world %	Total 2023 %	Total 2023 £000	Total 2022 %	Total 2022 £000
Oil and gas								
Alternative energy	1.10	—	—	—	1.10	10,651	0.51	4,542
Oil & gas producers	6.79	1.14	—	—	7.93	76,646	8.92	79,384
Oil equipment services & distribution	1.07	—	—	—	1.07	10,396	1.38	12,313
	8.96	1.14	—	—	10.1	97,693	10.81	96,239
Basic materials								
Chemicals	0.85	0.12	0.25	—	1.22	11,759	1.65	14,623
Forestry & paper	0.84	—	—	—	0.84	8,067	0.83	7,400
Mining	3.82	—	—	—	3.82	36,913	6.11	54,417
	5.51	0.12	0.25	—	5.88	56,739	8.59	76,440
Industrials								
Aerospace & defence	7.68	—	0.45	—	8.13	78,454	4.40	39,209
Construction & materials	5.08	—	—	—	5.08	48,970	4.39	39,199
Electronic & electrical equipment	2.55	—	0.09	—	2.64	25,509	2.88	25,623
General industrials	1.07	—	0.11	—	1.18	11,365	1.25	11,169
Industrial engineering	3.13	0.92	—	—	4.05	39,016	4.56	40,597
Industrial transportation	0.83	—	—	—	0.83	8,016	0.62	5,536
Support services	3.20	—	0.15	—	3.35	32,261	3.32	29,533
	23.54	0.92	0.80	—	25.26	243,591	21.42	190,866
Consumer goods								
Automobiles & parts	0.36	0.56	—	1.23	2.15	20,621	2.00	17,807
Beverages	—	—	0.08	—	0.08	802	1.33	11,888
Food & drug retailers	1.52	—	—	—	1.52	14,673	1.27	11,375
Food producers	0.94	—	0.45	—	1.39	13,418	1.83	16,372
Household goods & home construction	2.14	—	—	—	2.14	20,696	0.25	2,259
Leisure goods	—	—	0.23	—	0.23	2,173	—	—
Personal goods	—	—	0.20	—	0.20	1,886	0.89	7,988
	4.96	0.56	0.96	1.23	7.71	74,269	7.57	67,689
Health care								
Health care equipment & services	0.52	—	0.07	—	0.59	5,710	1.33	11,917
Pharmaceuticals & biotechnology	2.75	0.50	2.08	—	5.33	51,442	6.62	59,068
	3.27	0.50	2.15	—	5.92	57,152	7.95	70,985
Consumer services								
General retailers	4.35	—	—	—	4.35	42,164	2.99	26,631
Media	1.89	—	0.07	—	1.96	18,890	2.21	19,706
Travel & leisure	2.91	—	1.01	—	3.92	37,943	3.71	33,085
	9.15	—	1.08	—	10.23	98,997	8.91	79,422
Telecommunications								
Fixed line telecommunications	0.93	—	—	—	0.93	8,943	0.91	8,124
Mobile telecommunications	0.78	—	0.17	—	0.95	9,202	1.07	9,474
	1.71	—	0.17	—	1.88	18,145	1.98	17,598
Utilities								
Electricity	0.61	—	—	—	0.61	5,839	0.61	5,369
Gas, water & multiutilities	2.46	—	—	—	2.46	23,769	2.62	23,264
	3.07	—	—	—	3.07	29,608	3.23	28,633
Financials								
Banks	9.06	—	0.38	—	9.44	91,179	10.02	89,121
Equity investment instruments	2.81	—	—	—	2.81	27,195	2.85	25,404
Financial services	4.55	—	0.43	—	4.98	48,199	4.75	42,365
Life insurance/assurance	3.36	—	—	—	3.36	32,378	4.08	36,359
Nonlife insurance	2.01	—	0.23	—	2.24	21,544	2.99	26,633
Real estate investment trusts	3.97	—	0.31	—	4.28	41,246	2.44	21,691
	25.76	—	1.35	—	27.11	261,741	27.13	241,573
Technology								
Advanced medical equipment & technology	0.53	—	—	—	0.53	5,082	0.27	2,442
Software & computer services	0.20	—	0.26	—	0.46	4,409	0.20	1,778
Technology hardware & equipment	0.24	—	0.23	—	0.47	4,604	0.83	7,394
	0.97	—	0.49	—	1.46	14,095	1.30	11,614
Other								
Other	0.09	—	—	—	0.09	784	0.10	913
Sustainable energy	1.17	—	0.12	—	1.29	12,412	1.01	9,033
	1.26	—	0.12	—	1.38	13,196	1.11	9,948
TOTAL 2023	88.16	3.24	7.37	1.23	100.00	965,226		
TOTAL 2022	83.26	5.11	10.57	1.06	—	—	100.00	891,005

The above table excludes bank balances and short-term deposits.

Portfolio valuation

based on market values as at 31 December 2023

Holding name	Country	Sector	Industry	£000	%
Rolls Royce	UK	Industrials	Aerospace & defence	37,263	3.85
Shell	UK	Oil & Gas	Oil & gas producers	32,119	3.32
HSBC	UK	Financials	Banks	27,555	2.84
BP	UK	Oil & Gas	Oil & gas producers	26,571	2.74
Rio Tinto	UK	Basic Materials	Mining	21,908	2.26
Marks & Spencer	UK	Consumer Services	General retailers	21,792	2.25
Flutter Entertainment	UK	Consumer Services	Travel & leisure	21,576	2.23
GlaxoSmithKline	UK	Health Care	Pharmaceuticals & biotechnology	20,158	2.08
Barclays	UK	Financials	Banks	18,915	1.96
Senior	UK	Industrials	Aerospace & defence	15,118	1.57
Tesco	UK	Consumer Goods	Food & Drug Retailers	14,673	1.52
BAE Systems	UK	Industrials	Aerospace & defence	14,437	1.50
Lloyds Banking Group	UK	Financials	Banks	14,312	1.48
NatWest	UK	Financials	Banks	14,255	1.48
National Grid	UK	Utilities	Gas, water & multiutilities	13,851	1.43
M & G	UK	Financials	Financial services	13,344	1.38
Sanofi	France	Health Care	Pharmaceuticals & biotechnology	13,264	1.37
Hill & Smith	UK	Industrials	Industrial engineering	12,700	1.32
Standard Chartered	UK	Financials	Banks	12,563	1.30
Land Securities	UK	Financials	Real estate investment trusts	12,501	1.30
Shaftesbury Capital	UK	Financials	Real estate investment trusts	12,420	1.29
Morgan Advanced Materials	UK	Industrials	Electronic & electrical equipment	12,028	1.25
Toyota Motor Corporation	Japan	Consumer Goods	Automobiles & parts	11,877	1.23
IMI	UK	Industrials	Industrial engineering	11,578	1.20
Herald Investment Trust	UK	Financials	Equity investment instruments	11,484	1.19
Aviva	UK	Financials	Life insurance/assurance	11,160	1.16
Anglo American	UK	Basic Materials	Mining	10,838	1.12
Marshalls	UK	Industrials	Construction & materials	10,487	1.09
DS Smith	UK	Industrials	General industrials	10,343	1.07
Severn Trent	UK	Utilities	Gas, water & multiutilities	9,918	1.03
Kingfisher	UK	Consumer Goods	Household goods & home construction	9,852	1.02
Direct Line Insurance	UK	Financials	Nonlife insurance	9,825	1.02
Irish Continental Group	Ireland	Consumer Services	Travel & leisure	9,797	1.01
Hiscox	UK	Financials	Nonlife insurance	9,534	0.99
Johnson Service Group	UK	Industrials	Support services	9,330	0.97
Kier	UK	Industrials	Construction & materials	9,246	0.96
Boku	UK	Industrials	Support services	9,229	0.96
Balfour Beatty	UK	Industrials	Construction & materials	9,155	0.95
Dunelm	UK	Consumer Services	General retailers	9,105	0.94
Cranswick	UK	Consumer Goods	Food producers	9,100	0.94
BT Group	UK	Telecommunications	Fixed Line Telecommunications	8,943	0.93
Cummins	USA	Industrials	Industrial engineering	8,844	0.92
AFC Energy	UK	Oil & Gas	Alternative Energy	8,573	0.89
Prudential Corp	UK	Financials	Life insurance/assurance	8,285	0.86

Portfolio valuation continued

based on market values as at 31 December 2023

Holding name	Country	Sector	Industry	£000	%
Scottish Oriental Small Co	UK	Financials	Equity investment instruments	8,216	0.85
Elementis	UK	Basic Materials	Chemicals	8,115	0.84
Mondi	UK	Basic Materials	Forestry & paper	8,067	0.84
ITV	UK	Consumer Services	Media	8,066	0.84
Spectris	UK	Industrials	Electronic & electrical equipment	8,011	0.83
Ibstock	UK	Industrials	Construction & materials	7,797	0.81
Hammerson	UK	Financials	Real estate investment trusts	7,631	0.79
Vodafone	UK	Telecommunications	Mobile telecommunications	7,541	0.78
Phoenix Group Holdings	UK	Financials	Life insurance/assurance	7,476	0.77
Hipgnosis Songs Fund	UK	Financials	Equity investment instruments	7,470	0.77
Babcock	UK	Industrials	Aerospace & defence	7,289	0.76
International Distribution Services	UK	Industrials	Industrial transportation	7,075	0.73
Ceres Power	UK	Oil & Gas	Oil equipment services & distribution	6,882	0.71
Halfords	UK	Consumer Services	General retailers	6,489	0.67
Haleon	UK	Health Care	Pharmaceuticals & biotechnology	6,433	0.67
Vanquis Banking Group	UK	Financials	Financial services	6,148	0.64
International Personal Finance	UK	Financials	Financial services	6,129	0.63
Accsys Technologies	UK	Industrials	Construction & materials	5,946	0.62
Next Fifteen Communications Group	UK	Consumer Services	Media	5,775	0.60
IP Group	UK	Financials	Financial services	5,726	0.59
Workspace Group	UK	Financials	Real estate investment trusts	5,655	0.59
SSE	UK	Utilities	Electricity	5,568	0.58
Gibson Energy	Canada	Oil & Gas	Oil & gas producers	5,564	0.58
Chesnara	UK	Financials	Life insurance/assurance	5,457	0.57
Air Products and Chemicals	Canada	Oil & Gas	Oil & gas producers	5,377	0.56
General Motors	USA	Consumer Goods	Automobiles & parts	5,359	0.56
Abrdn	UK	Financials	Financial services	5,351	0.55
International Consolidated Airlines	UK	Consumer Services	Travel & leisure	5,328	0.55
Oxford Sciences Innovation	UK	Financials	Financial services	5,133	0.53
Oxford Nanopore Technologies	UK	Technology	Advanced Medical Equipment & Technology	5,082	0.53
Smith & Nephew	UK	Health Care	Health care equipment & services	5,062	0.52
Vertu Motors	UK	Consumer Services	General retailers	4,777	0.49
VH Global Sustainable Energy Opportunities	UK	Other	Sustainable Energy	4,632	0.48
TT Electronics	UK	Industrials	Electronic & electrical equipment	4,560	0.47
Reach	UK	Consumer Services	Media	4,329	0.45
Johnson Matthey	UK	Other	Sustainable Energy	4,244	0.44
Redde Northgate	UK	Industrials	Support services	4,237	0.44
Ricardo	UK	Industrials	Support services	4,087	0.42
Epwin Group	UK	Consumer Goods	Household goods & home construction	3,972	0.41
Inchcape	UK	Industrials	Support services	3,935	0.41
Bellway	UK	Consumer Goods	Household goods & home construction	3,840	0.40
Weir Group	UK	Industrials	Industrial engineering	3,773	0.39

Portfolio valuation continued

based on market values as at 31 December 2023

Holding name	Country	Sector	Industry	£000	%
Jubilee Metals Group	UK	Basic Materials	Mining	3,627	0.38
Bristol-Myers Squibb	USA	Health Care	Pharmaceuticals & biotechnology	3,625	0.38
i3 Energy	UK	Oil & Gas	Oil & gas producers	3,557	0.37
ITM Power	UK	Oil & Gas	Oil equipment services & distribution	3,475	0.36
SigmaRoc	UK	Industrials	Construction & materials	3,406	0.35
Nestle	Switzerland	Consumer Goods	Food producers	3,157	0.33
Novo Nordisk	Denmark	Health Care	Pharmaceuticals & biotechnology	3,147	0.33
Grit Real Estate Income Group	Guernsey	Financials	Real estate investment trusts	3,040	0.31
Watkin Jones	UK	Consumer Goods	Household goods & home construction	3,032	0.31
Castings	UK	Industrials	Construction & materials	2,933	0.30
Roche	Switzerland	Health Care	Pharmaceuticals & biotechnology	2,754	0.29
SAP	Germany	Technology	Software & computer services	2,524	0.26
XP Power	UK	Technology	Technology hardware & equipment	2,344	0.24
ASML	Netherlands	Technology	Technology hardware & equipment	2,259	0.23
Airbus SE	Netherlands	Industrials	Aerospace & defence	2,206	0.23
Munchener Rueckver	Germany	Financials	Nonlife insurance	2,184	0.23
Safran SA	France	Industrials	Aerospace & defence	2,142	0.22
Renold	UK	Industrials	Industrial engineering	2,121	0.22
Gelion	UK	Other	Sustainable Energy	2,088	0.22
Moncler	Italy	Consumer Goods	Personal goods	1,886	0.20
Zoo Digital Group	UK	Technology	Software & computer services	1,885	0.20
Surface Transforms	UK	Consumer Goods	Automobiles & parts	1,884	0.20
Deutsche Boerse	Germany	Financials	Financial services	1,852	0.19
LVMH	France	Consumer Goods	Leisure Goods	1,798	0.19
Amundi	France	Financials	Financial services	1,739	0.18
UniCredit	Italy	Financials	Banks	1,709	0.18
Cellnex Telecom	Spain	Telecommunications	Mobile telecommunications	1,662	0.17
Saietta Group	UK	Consumer Goods	Automobiles & parts	1,500	0.16
DSM-Firmenich AG	Netherlands	Basic Materials	Chemicals	1,475	0.15
SGS SA	Switzerland	Industrials	Support services	1,443	0.15
Marstons	UK	Consumer Services	Travel & leisure	1,242	0.13
Ondine Biomedical Inc.	Canada	Health Care	Pharmaceuticals & biotechnology	1,204	0.12
Indus Gas	UK	Oil & Gas	Oil & gas producers	1,201	0.12
Invinity Energy Systems	UK	Oil & Gas	Alternative Energy	1,190	0.12
EDP Renovaveis SA	Spain	Other	Sustainable Energy	1,185	0.12
Arbuthnot Banking Group	UK	Financials	Financial services	1,166	0.12
Danone SA	France	Consumer Goods	Food producers	1,162	0.12
Plant Health Care	USA	Basic Materials	Chemicals	1,133	0.12
BNP Paribas SA	France	Financials	Banks	1,131	0.12
Sig Combibloc	Switzerland	Industrials	General industrials	1,022	0.11
Allied Minds	UK	Financials	Financial services	971	0.10
Logistics Development Group	UK	Industrials	Industrial transportation	941	0.10
Arkema SA	France	Basic Materials	Chemicals	927	0.10
ASM International NV	Netherlands	Industrials	Electronic & electrical equipment	911	0.09

Portfolio valuation continued

based on market values as at 31 December 2023

Holding name	Country	Sector	Industry	£000	%
Ilika	UK	Oil & Gas	Alternative Energy	887	0.09
Grifols	Spain	Health Care	Pharmaceuticals & biotechnology	856	0.09
Allfunds Group	UK	Other	Other	852	0.09
Heineken NV	Netherlands	Consumer Goods	Beverages	802	0.08
Bawag	Austria	Financials	Banks	741	0.08
Kistos	UK	Oil & Gas	Oil & gas producers	734	0.08
Universal Music Group	Netherlands	Consumer Services	Media	720	0.07
Sartorius AG	Germany	Health Care	Health care equipment & services	648	0.07
Longboat Energy	UK	Oil & Gas	Oil & gas producers	585	0.06
Serica Energy	UK	Oil & Gas	Oil & gas producers	574	0.06
Brockhaus Capital Management	Germany	Financials	Financial services	541	0.06
First Tin	UK	Basic Materials	Mining	540	0.06
Adidas	Germany	Consumer Goods	Leisure Goods	375	0.04
Deltic Energy	UK	Oil & Gas	Oil & gas producers	365	0.04
SIMEC Atlantis Energy	UK	Utilities	Electricity	271	0.03
Libertine Holdings	UK	Other	Sustainable Energy	263	0.03
Carclo	UK	Basic Materials	Chemicals	108	0.01
LDIC Investments	UK	Financials	Financial services	100	0.01
Velocys	UK	Oil & Gas	Oil equipment services & distribution	39	—
Better Cap	UK	Financials	Equity investment instruments	25	—
				965,226	100.00

In accordance with listing rule 15.6.8, The Law Debenture Corporation p.l.c. announces that it has no investments in other UK listed investment companies that require to be disclosed.

Changes in geographical distribution

Region	Valuation 31 December 2022 £000	Purchases £000	Costs of acquisition £000	Sales proceeds £000	Appreciation/ (Depreciation)* £000	Valuation 31 December 2023 £000	%
United Kingdom	743,255	85,814	308	(18,405)	41,409	852,381	88.16
North America	45,482	7,581	—	(17,324)	(4,632)	31,107	3.24
Europe	92,842	5,855	8	(26,364)	(2,481)	69,860	7.37
Japan	9,426	—	—	—	2,452	11,878	1.23
	891,005	99,250	316	(62,093)	36,748	965,226	100.00

* Please refer to note 2 on page 127.

Company overview

Who we are

From its origins in 1889, Law Debenture has diversified to become a Group which provides our shareholders, clients and people a unique combination of a Portfolio and an Independent Professional Services (IPS) business.

Our purpose and objective

Our purpose is to deliver peace of mind for our shareholders, clients and people. This is central to our strategy, both at the Portfolio and IPS levels, and underpins the way we think and behave every day.

Our objective as an investment trust is to achieve long-term capital growth in real terms and steadily increasing income. The aim is to achieve a higher rate of total return than the FTSE Actuaries All-Share Index through investing in a diversified portfolio of stocks and ownership of the IPS business.

To our IPS clients we are trusted, independent experts who have 135 years of experience to call on in delivering vital aspects of their business cycle.

Our purpose and objective are underpinned by our corporate values of:

- We believe it's possible.
- We make change happen.
- We are better together.
- We never stop learning.

Our culture

Our purpose and values are central to our objective. They are reinforced by our culture as a business, which is one of excellence, independence and trust.

The Board endorses our purpose and values and is responsible for ensuring that our culture is aligned with our strategy by assessing, monitoring and challenging the same where appropriate. The Board discharges this duty by reviewing the relevant policies, practices and behaviours throughout the business including its own conduct as a Board and of its individual directors and by ensuring our stated purpose, values and objectives are reflected in its discussions and decision-making.

Some of the ways in which the Board monitors the Group's culture, with the assistance of its Committees, senior managers and external advisors, are by reviewing:

- reports on the results of our quarterly eNPS surveys;
- reports on stakeholder engagement as described on page 62 and our Section 172(1) Statement on pages 45 to 48;
- reports on risk management, internal controls, internal audits, compliance, anti-bribery and whistleblowing arrangements;
- cyclical presentations from our Business and Department Heads at each Board meeting;
- feedback from our key external advisors such as our external auditors and investment manager on their relationship with the relevant teams within the business;
- reports on the diversity and inclusion of the Board and the IPS business and oversight of the statistics set out in the ESG section on page 54; and
- Board, Committee and individual directors' performance evaluations, the process and outcome of which is set out on page 92.

Following on from the project to articulate the culture and values of our business in 2021, we organised another culture week during 2023 to continue to embed, share and celebrate our values as a business and are in the process of planning for 2024.

We believe the culture of the Group is strong and a contributing factor to our consistent performance in challenging market conditions.

Our unique structure allows our investment managers to focus on capital generation, while knowing that historically approximately one-third of the Trust's income has been provided by the IPS business.

Our strategy – implementation

Our strategy is centred around the unique combination of the Portfolio and our IPS business. Whilst overseen by the Board, the IPS business operates independently from the Portfolio.

The IPS business provides a reliable source of revenue to the investment trust. This supports the dividend and ensures our investment managers are not constrained to choosing stocks solely based on yield. Instead, the investment managers benefit from increased flexibility in stock selection supporting the delivery of long-term capital growth.

Our unique structure is also tax efficient as some tax relief, arising from excess costs and interest payments which would otherwise be unutilised, can be passed from the Portfolio to the IPS business reducing the tax liability for the Group and increasing shareholder returns.

The way in which we implemented the investment strategy during 2023 is described in more detail in the investment managers' review on pages 17 to 20.

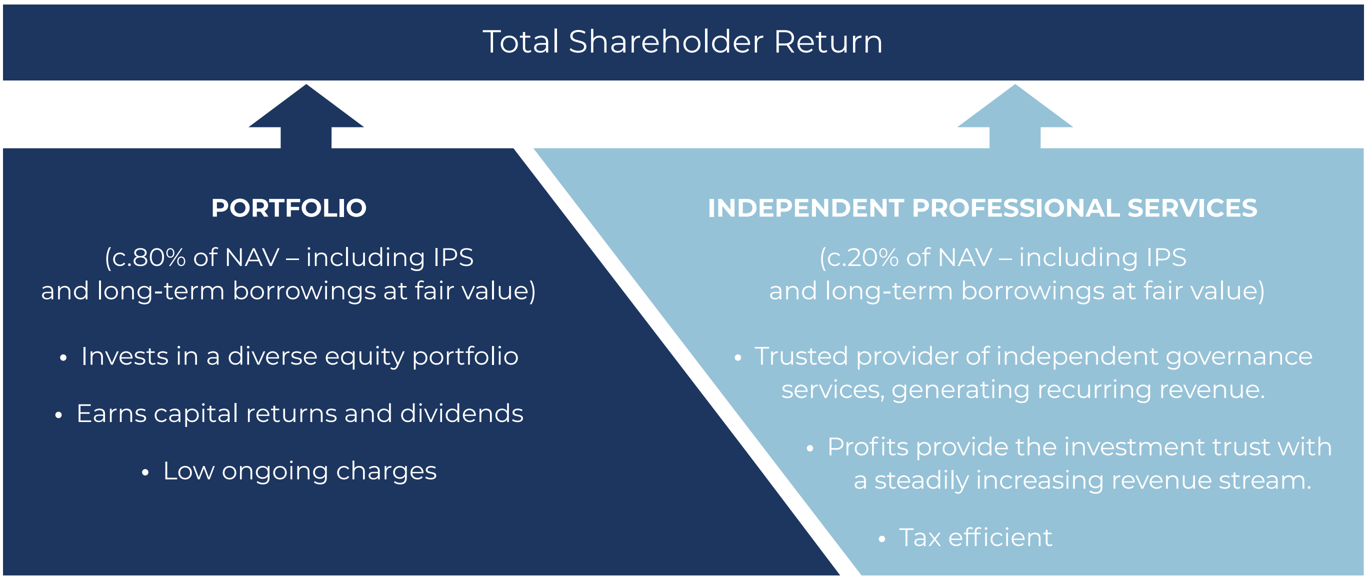
Annual performance is set out on pages 2 to 29, which contain tables, charts and data to explain performance both during the year under review and over the long-term. Performance against KPIs is discussed on page 34.

Company overview continued

Our business model

Our business model is designed to position the Company for optimal performance in the AIC UK Equity Income investment trust sector.

Law Debenture's shares are intended for private investors in the UK (retail investors), professionally advised private clients and institutional investors. When choosing an equity focussed investment trust, shareholders typically accept the risk of exposure to equities but hope that the pooled nature of an investment trust portfolio will give some protection from the volatility in share price movements that can affect individual equities.



PORTFOLIO

- The Portfolio will typically contain over 70 and up to 175 stocks, the maximum permitted.
- The Portfolio is diversified in order to spread investment risk with no obligation to hold shares in any particular type of company or industry.
- The IPS business does not form part of the Portfolio.

Whilst performance is measured against the FTSE Actuaries All-Share Index, the composition of the index does not influence the construction of the Portfolio. As a consequence, it is expected that the Portfolio and performance will deviate from the comparator index.

INDEPENDENT PROFESSIONAL SERVICES

Operating through a number of wholly owned subsidiary companies (see note 13 to the accounts), we provide pension trustee executives, outsourced pension services, corporate trust services and corporate services to companies, agencies, organisations and individuals throughout the world. The services are provided through offices in the UK, Dublin, New York, Delaware, Hong Kong and the Channel Islands.

Group employees are employed by L.D.C. Trust Management Limited (LDCTM) and Safecall Limited (in the UK) or a locally incorporated entity (in the overseas jurisdictions). As part of their duties, a number of the employees provide services to the investment trust and their time is charged to the trust, forming part of the ongoing charges.

More details about the performance of the IPS business in 2023 are given in the Chief Executive Officer's review on pages 8 to 15.

Company overview continued

Our strategy – guidelines

The Board sets the investment strategy and actively monitors both the investment managers' and Executive Leadership team's adherence through a series of guidelines and parameters in each scheduled Board meeting. The strategy is reviewed periodically to ensure we deliver on our objective.

<table>
<tr><td rowspan="2">Investments</td><td>Permitted types of investments are:
• Equity Shares
• Cash/Liquid Assets</td><td>Restrictions:
• Trading is not permitted in suspended shares or short positions
• No more than 15% of gross assets will be invested in other UK listed investment trusts
• No more than 175 stocks
• No investment may be made which raises the aggregate value of the largest 20 holdings, excluding holdings in collective investment vehicles that give exposure to Japan, Asia/Pacific or emerging market regions, to more than 40% of the Portfolio, including gilts and cash
• The value of a new acquisition in any one holding may not exceed 5% of the total Portfolio value (including cash) at the time the investment is made
• Further additions shall not cause a single holding to exceed 5%, and Executive approval must be sought (to be reported at the next Board meeting), to retain a holding should its value increase above the 5% limit
• No investment in any investment vehicle managed or advised by Janus Henderson shall be made without prior Board approval
• No investment other than in equity shares quoted on a major international Stock Exchange (including AIM for the avoidance of doubt) or instruments convertible into the same may be made without prior Executive approval
• The Company may not make investments in unlimited liability companies</td></tr>
<tr><td>The current regional parameters are:</td><td><table><tr><th></th><th>Minimum %</th><th>Maximum %</th></tr><tr><td>United Kingdom</td><td>55</td><td>100</td></tr><tr><td>North America</td><td>0</td><td>20</td></tr><tr><td>Continental Europe</td><td>0</td><td>20</td></tr><tr><td>Japan</td><td>0</td><td>10</td></tr><tr><td>Asia/Pacific</td><td>0</td><td>10</td></tr><tr><td>Other (including South America)</td><td>0</td><td>10</td></tr></table></td></tr>
<tr><td>Derivatives</td><td colspan="2">May be used with prior authorisation of the Board</td></tr>
<tr><td>Hedging</td><td colspan="2">Currency hedges may be put in place with Board approval to protect against foreign exchange movements on the capital and income accounts</td></tr>
<tr><td>Stock-lending</td><td colspan="2">Up to 30% of the market value of the Portfolio may be lent</td></tr>
<tr><td>Gearing</td><td colspan="2">A ceiling on net gearing of 50% is applied. Typically net gearing, (i.e. gearing net of cash), is between 10% and 20% of the total Trust value. The Board retains the ability to reduce equity exposure so that net cash is above 10% if deemed appropriate. Refer to page 156 for calculation of gearing</td></tr>
<tr><td>Daily dealing limit</td><td colspan="2">Net purchases in any dealing day are to be limited to £30 million unless prior Executive approval is obtained</td></tr>
<tr><td>Underwriting</td><td colspan="2">Permitted capital at risk up to 5% of the value of the Portfolio</td></tr>
<tr><td>Corporate approval</td><td colspan="2">Where indicated, the investment manager must obtain prior approval to exceed permitted limits either through Board or Executive approval. Executive approval shall be the approval of either the Board Chair or the Chief Executive Officer. The Board may make non-material adjustments or changes to the investment policy from time to time. Any changes to the investment policy, which the Board deem to be material, require prior shareholder approval</td></tr>
</table>

Company overview continued

Agreement with the investment managers

Appointed investment managers: James Henderson and Laura Foll, Janus Henderson Investors.

On a fully discretionary basis, our investment managers are responsible for implementing the Company's investment strategy. The contract is terminable by either side on six months' notice.

The agreement with Janus Henderson does not cover custody, which is the responsibility of the depository (see section on regulatory compliance in the Directors' Report, page 61). It also does not cover the preparation of data associated with investment performance or record keeping, both of which remain the responsibility of the Company.

Fee structure and ongoing charges

Investment trusts are required to publish their ongoing charges ratio. This is the cost of operating the trust and includes the investment management fee, depository and custody fees, investment performance data, accounting, company secretary and back office administration.

The Group continues to have one of the more competitive fee structures in the UK Equity Income Sector with investment management fees of 0.30% p.a. of the value of net assets of the Group (excluding the net assets of IPS), calculated on the basis adopted in the audited financial statements, and total ongoing charges of 0.49%.

No performance fee is paid to the investment manager.

Reappointment of the investment managers

On an annual basis, at a minimum, the Board assesses whether the investment managers should be reappointed. The key criterion for assessment is the long-term performance of the Portfolio.

Given Janus Henderson's proven record of performance, and the competitive fee arrangements in place, the Board has concluded that the continued appointment of our existing investment manager remains in the interests of our shareholders.

Gearing and long-term borrowing

Investment trusts have the benefit of being able to 'gear' their portfolios according to market conditions. This means that they can raise debt (either short or long-term) to generate funds for further investment. These funds can be used to increase the size of the Portfolio. Alternatively, assets from within the Portfolio can be sold to reduce debt and the Portfolio can even be 'negatively geared'. This means selling assets to hold cash so that less than 100% of the Company's assets are invested in equities. At 31 December 2023, our gearing was 13% (2022: 12%) (refer page 156).

The Group has four debentures (long dated sterling denominated financing) details of which are on page 146. The weighted average interest payable on the debentures is 3.96% (2022: 3.96%).

The fair value of long-term borrowings held by the Group is disclosed in note 20 to the accounts. The fair value calculation of all long-term borrowings benchmarks the Group debt against A-rated UK corporate bond yields.

Capital structure

Law Debenture has one class of share – ordinary shares – and each share has the same rights as every other share.

The Company conducts its affairs so that its ordinary shares are capable of being recommended by independent financial advisors to retail investors in accordance with relevant FCA rules.

We consider our ordinary shares to be mainstream investment products because they are shares in an investment trust. The Company intends to continue conducting its affairs for the foreseeable future so that the ordinary shares can continue to be categorised as a mainstream investment.

Transparency

In order to assist shareholders in understanding the nature of the underlying investments they are buying into when investing in Law Debenture's shares, we publish our NAV on a daily basis. We also publish the entire Portfolio monthly – with additional monthly updates on the composition of the top ten holdings in the Portfolio.

Future trends and factors

Law Debenture will continue to strive to deliver its business objectives for both the Portfolio and the IPS business.

The Chairman's statement, the CEO's review and the investment managers' review (all of which form part of this strategic report) set out the Company's views on future developments.

Performance and related data

Pages 2 and 17 to 20, which contain performance and related data, form part of this strategic report.

Company overview continued

Key performance indicators (KPIs) and alternative performance measures

The KPIs used to measure the progress and performance of the investment trust are:

- NAV total return with IPS and debt at fair value (combining the capital and income returns of the Group) and how this compares, over various time intervals, with relevant indices;
- the discount/premium in share price to NAV; and
- the costs and ongoing charges of running the Portfolio as a percentage of its value.

Since the objective of the investment trust is measurable solely in financial terms, the Board does not consider that it is appropriate to adopt non-financial KPIs. The financial measures adopted as KPIs are part of our financial reporting obligations.

NAV total return with IPS and debt at fair value

1 year	3 years	5 years	10 years
9.4%	35.1%	62.4%	111.9%

Premium/(discount)

	31 December 2023	31 December 2022
Year end	(0.2%)	1.2%
High for year	3.0%	4.5%
Low for year	(4.0%)	(6.6%)

Ongoing charges ratio

Year ended 31 December 2023	Year ended 31 December 2022
0.49%	0.49%

Alternative Performance Measures as defined under ESMA guidelines have been adopted and these are described in detail on pages 155 and 156.

Share price and NAV

Investment trusts can trade at a discount (where the share price is lower than the combined value (NAV) of the underlying assets), or at a premium (where the share price trades at a higher level than the underlying NAV). Investment trust investors need to understand these concepts as well as examine the underlying portfolio and the way in which it is managed, to decide whether or not an investment trust share represents "good value".

Law Debenture's responsibilities as an institutional shareholder

The Company recognises that, in delivering its objective to produce long-term capital growth and a steadily increasing income, it must ensure that its investment strategy is delivered with due emphasis on the need to ensure that investee companies are acting in accordance with accepted standards of corporate governance. The Company has therefore adopted the following policy.

Law Debenture will normally support incumbent management and vote in favour of resolutions proposed by the boards of companies in which it has a shareholding, but will vote against management or withhold a vote where appropriate.

The Board determines the Company's investment strategy but does not issue express instructions to the investment manager on transactions in particular shares. Where Law Debenture believes that incumbent management is failing in its duties, Law Debenture (or on its behalf, the Company's investment managers) may enter into dialogue with the company concerned in an attempt to alter the management's position.

Where this is not possible, or where incumbent management declines to alter its behaviour, Law Debenture will consider voting against resolutions proposed by the management. Further, if it is deemed necessary or desirable, the Company would consider acting collectively with other institutional investors to try and achieve a particular goal.

Janus Henderson, on Law Debenture's behalf, monitors companies in which Law Debenture is invested, and from time to time may discuss matters of corporate responsibility with such companies. Law Debenture's investment managers have voting discretion but may notify Law Debenture on occasion and when appropriate, should matters arise that might lead the Company to consider intervening, abstaining or voting against a particular proposal. During the year, the Company abstained or voted against one or more resolutions at 51 shareholder meetings of investee companies.

The Company will not hold shares in companies whose ethical and environmental practices are, in its view, likely to damage the performance of the business to the detriment of its shareholders.

The Company does not believe that conflicts arise between its duties as an institutional shareholder and the work undertaken by the IPS business. The investment managers have complete discretion as to Portfolio decisions and as a matter of policy, has no access to 'non-public' knowledge about any of the activities of the IPS business.

Janus Henderson is a signatory to the 2020 UK Stewardship Code. As the Company's investment manager, Janus Henderson makes the day-to-day investment decisions and

Company overview continued

is therefore best placed to engage with Portfolio companies and discharge stewardship obligations. The Board is of the view that becoming a signatory to the Stewardship Code would unnecessarily duplicate the work of the investment manager and therefore continues to rely on Janus Henderson in this regard.

Valuation of our IPS business

Accounting standards require us to consolidate the income, costs and taxation of our IPS business into the Group income statement on page 112. The assets and liabilities of the business are also consolidated into the Group column of the statement of financial position on page 113. A segmental analysis is provided in note 6 (pages 129 and 130) to these accounts which shows a detailed breakdown of the split between the Portfolio and the IPS business.

Consolidating the value of the IPS business in this way does not fully recognise the value created for the shareholder by the IPS business in the NAV. To address this, from December 2015, the NAV we have published for the Group has included a fair value for the standalone IPS business.1

The current fair value of the IPS business is calculated based upon maintainable earnings before interest, taxation, depreciation and amortisation (EBITDA) for 2023, with an appropriate multiple applied. The EBITDA for the IPS business for 2023 was £17.6m. This number is reached by taking the return, including profit before interest and tax of £15.1m from note 6 on page 129 and adding back the depreciation charge for property, plant and equipment and right-of-use assets of £1.3m, the amortisation of intangible assets of £0.9m, and net interest expense shown in note 6 on page 129.

The calculation of the IPS valuation and methodology used are included at note 13 on page 136. In determining a calculated basis for the fair valuation of the IPS business, the Board has taken appropriate external professional advice. The multiple applied in valuing the IPS business is based on comparable companies sourced from market data, with appropriate adjustments to reflect the difference between the comparable companies and IPS business in respect of size, liquidity, margin and growth. A range of multiples is then provided by the professional valuation firm, from which the Board selects an appropriate multiple to apply.

There is no one single comparator who's business is an accurate proxy for the unique collection of businesses that make up IPS. Whilst the group of companies presented in the table have some likeness to the IPS business, further work has been required in producing a multiple reflective of the fair value to attribute to the IPS business. Given this, as a cross-check, we have validated the valuation using a discounted cash flow with an externally advised WACC and are satisfied it is in range.

1 Note the daily NAV is refreshed six monthly to reflect the IPS business at fair value and therefore the daily NAV has the most recent annual or interim IPS FV valuation.

The multiple of 10.5x has been applied to value the business. The uplift reflects that the IPS business now has six years of revenue and profit growth. The multiple selected has remained the same as the prior year.

The comparable companies used, and their recent performance, are presented in the table below:

Company	Revenue LTM[2] (£m)	LTM EV/ EBITDA 31 December 2023	Net revenue CAGR 2019-2023	EBITDA margin LTM
Law Deb IPS	51	10.5x	12.0%	32.0%
SEI Investments Company	1,550	14.4x	5.6%	24.9%
SS&C Technologies Holding, Inc	4,449	10.4x	6.2%	33.2%
EQT Holdings Limited	74	12.6x	9.7%	25.1%
Perpetual Limited	542	10.9x	17.2%	20.5%
Begbies Traynor Group plc	122	7.6x	19.3%	18.8%
Christie Group plc	69	21.9x	(3.1%)	3.3%
JTC plc	229	16.3x	26.9%	26.0%
Link Administration Holdings Limited	500	7.8x	(10.3%)	20.1%

2 LTM refers to the trailing 12 months 'results' which are publicly available. Source: Capital IQ.

Valuation guidelines require that the fair value of the IPS business be established on a stand-alone basis. Therefore, the valuation does not reflect the value of Group tax relief applied from the investment trust to the IPS business.

It is hoped that our continued initiatives to achieve growth into the IPS business will result in a corresponding increase in valuation over time. As stated above, management is aiming to achieve mid to high single percentage growth in 2024. The total valuation (including surplus net assets) of the business has increased by £119m/132% since the first valuation of the business as at 31 December 2015.

In order to assist investors, the Company restated its historical NAV in 2015 to include the fair value of the IPS business for the last ten years. This information is provided in the Annual Report within the 10-year record on page 37.

Calculation of net asset value (NAV) per share

Calculation of NAV per share

The table below shows how the NAV at fair value is calculated. The value of assets already included within the NAV per the Group statement of financial position that relate to the IPS business have been removed (£50.0m) and substituted with the calculation of the fair value and surplus net assets of the business £210.8m. An adjustment of £33.2m is then made to show the Group's debt at fair value, rather than the amortised cost that is included in the NAV per the Group statement of financial position. This calculation shows a NAV fair value for the Group as at 31 December 2023 of £1,048.3m or 802.67 pence per share.

	31 December 2023		31 December 2022	
	£000	Pence per share	£000	Pence per share
Net asset value (NAV) per Group statement of financial position	854,229	654.07	799,067	625.81
Fair valuation of IPS: EBITDA at a multiple of 10.5x (2022: 10.5x)	185,063	141.70	174,174	136.41
IPS net assets attributable to IPS valuation	25,729	19.70	27,566	21.59
Fair value of IPS business	210,792	161.40	201,740	158.00
Removal of IPS net assets included in Group net assets	(49,956)	(38.25)	(53,364)	(41.79)
Fair value uplift for IPS business	160,836	123.15	148,376	116.20
Debt fair value adjustment	33,239	25.45	25,123	19.68
NAV at fair value	1,048,304	802.67	972,566	761.69
NAV attributable to IPS	210,792	20%	201,740	21%

See commentary for the breakdown of the assets already included in the NAV per the financial statements.

The 'results' NAV at fair value calculated above differs to the 'published' NAV at fair value for 29 December 2023 (year end NAV released by RNS on 2 January 2024). As such, please see below for a reconciliation:

	31 December 2023	
	Value £000	Pence per share
Reconciliation of published NAV to results NAV:		
Published NAV cum income with debt at fair value	1,042,279	798.06
Reconciliation of shareholders' funds to net assets:		
Published NAV	(855,259)	(654.86)
Results NAV	854,229	654.07
Revised IPS valuation uplift:		
Published NAV (valuation per 30 June 2023)	(153,381)	(117.44)
Results NAV	160,836	123.15
Revised Fair Value of Debentures:		
Published NAV	(33,639)	(25.76)
Results NAV	33,239	25.45
Total NAV at fair value per results	1,048,304	802.67

Long-term performance record

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net assets per the statement of financial position (£m)[1]	574.2	557.3	662.3	748.3	669.4	775.3	727.0	878.8	799.1	854.2
Revenue return (pence)	16.95	18.10	15.96	21.66	21.26	30.68	21.56	28.09	34.44	33.43
Capital return (pence)	3.87	(17.47)	89.30	67.10	(71.85)	79.27	(19.06)	94.60	(103.17)	24.47
Total (pence)	20.82	0.63	105.26	88.76	(50.59)	109.95	2.50	122.69	(68.73)	57.90
Revenue return (pence)										
Portfolio	10.08	11.01	10.88	11.61	13.23	22.18	12.12	18.09	24.06	22.41
Independent professional services	6.87	7.09	7.68	9.93*	7.87	8.54	9.35	10.00	10.38	11.02
	16.95	18.10	18.56	21.54	21.10	30.72	21.47	28.09	34.44	33.43
Group charges	—	—	(2.60)	0.12	0.16	(0.04)	0.09	—	—	—
Total (pence)	16.95	18.10	15.96	21.66	21.26	30.68	21.56	28.09	34.44	33.43
Dividends (pence)	15.70	16.20	16.70	17.30	18.90	26.00	27.50	29.00	30.5	32.0[2]
Share price (pence)[1]	530.0	498.0	530.0	629.0	540.0	650.0	690.0	799.0	771.0	801.0
(Discount)/premium (%)[1]	(2.3)	(5.1)	(11.4)	(6.0)	(12.1)	(7.4)	3.6	1.4	1.2	(0.2)
NAV at fair value (pence)[1]	542.3	524.5	598.5	669.5	614.1	702.2	666.2	787.8	761.7	802.7
Market capitalisation (£m)[1]	627.1	589.3	627.2	744.5	639.3	769.8	817.3	982.1	984.4	1,046.1

1 At 31 December calculated in accordance with AIC methodology, based on performance data held by Law Debenture including fair value of IPS business and long-term borrowings.

2 Proposed total dividend for 2023.

*This includes 2.72 pence per share of exceptional items including the sale of an unlisted investment, excluding which, normalised earnings per share were 7.21 pence per share.

Note: The 10 year record has been restated (2014) to reflect the fair value of the IPS business and the long-term borrowings.
Ten year dividend growth of 113% has been calculated based on growth since the 2013 total dividend of 15.0 pence per share.

Risk management

Our approach to risk

The Group's risk management and internal control framework is embedded in everyday operations and subject to regular enhancements. The diagram below summarises our risk reporting and governance, with risks effectively managed and monitored in a continuous risk management process. Top-down Board-level oversight for the Portfolio and IPS business is provided by the Audit and Risk Committee (ARC).

In discharging its oversight responsibilities in relation to the Portfolio, the Board considers risk matters during the year by meeting periodically with the investment managers and receives a wide range of reports about the Portfolio including investment review, risk reporting, governance reporting and comparative peer reporting.

Thematic discussions are held with the investment manager at two out of six of the scheduled Board meetings each year to address market trends and insights.

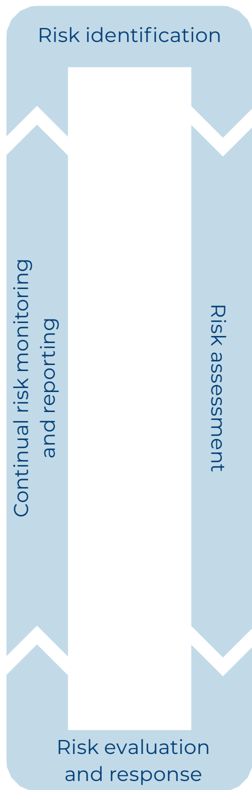
The ARC supports the Board in reviewing the internal control environment of the investment managers.

The Executive Risk Committee has responsibility for the oversight of overall risk management within the IPS business. Detailed, bottom-up risk identification and management is owned by either individual business lines where they are specific to that business function, or centrally where it relates to the Shared Services Centre or other central function. Risk identification and management is analysed by the Group Risk Manager.

The ARC reviews the principal risks to the Group and the adequacy of the controls in place to appropriately manage those risks as part of our ongoing risk management. Consideration is also given to emerging risks to ensure that the risk management framework is updated to protect the business.

The ARC recognises that there are certain risks which are inherent in the Group's activities, such as taking market risk with respect to its Portfolio, and the controls to manage such risks are paramount to the delivery of our objectives.

RISK MANAGEMENT PROCESS AND GOVERNANCE OVERVIEW

Internal risk reporting	Parties involved	External risk reporting	Risk management process
Consolidated Group-level risks • Business area risk registers consolidated to draw out significant risks • Principal risks identified, including emerging risks • Review and agreement of the principal risks by the Executive Risk Committee • Review and approval by the ARC	**Top-down** • The Law Debenture Corporation p.l.c. Board • Group ARC • Executive Risk Committee • Group Risk Manager	**Principal risks and uncertainties** • A summarised version of principal risks for external reporting • Review and approval by the ARC and the Board	
Business and functional risk registers • Continual review and assessment of business area risk registers and challenge on mitigating actions, including consideration of emerging risks, by the business and Group Risk Manager • Review and challenge of risks at Executive Risk Committee meetings	• Group Risk Manager • Business Unit Risk Committees **Bottom-up**		
Real-time issues and areas of change • Monitoring of emerging areas of increasing significance to the Group and establishing sufficient mitigating actions			

Risk management continued

The risk assessment process evaluates the probability of the risk materialising and the financial, strategic or reputational impact of the risk using a scoring system approved by the ARC. There may be uncertainty in measuring certain risks, but the aim is to inform and guide decisions and pinpoint areas which may require more attention.

Those risks which have a higher probability and significant impact on strategy, reputation or financial impact under the risk scoring system are identified as principal risks on pages 40 and 41.

Governance

The Group's risk management and internal control framework is governed via the "parties involved" section of the diagram above and overseen by the ARC. IPS business risks are managed through business unit risk committees and management meetings. The outputs of these are fed through to the Executive Risk Committee and then the ARC for review and to the Board for approval as appropriate.

Risk reporting

Risk reporting includes identification of thematic risk trends, risk reporting, and risk registers which set out risk types, key risks identified and their status, the internal controls and mitigating factors in place to address these risks.

Our risk reporting for the IPS business is managed by the Executive Risk Committee, made up of the CEO, COO and CFO, supported by the Group Risk Manager. The Executive Risk Committee meets quarterly. IPS business risks have a lower materiality threshold than for the Group, however the Executive Risk Committee identifies risk events or risk topics of relevance which are taken to the ARC, who oversees Group risks. The Group Risk Manager also speaks directly to the Chair of the ARC.

The ARC assesses whether Group risks are reported externally, for example under our principal group risks on page 40.

Group reporting also includes risks associated with the investment trust, overseen by the ARC. As part of risk management we monitor the investment managers, perform operational due diligence and review the internal control reports of key service providers to the investment trust.

Three Lines of Defence

The Group has organised risk management according to the three lines of defence model. Roles and responsibilities are described below to show accountability between management which owns the risks, oversight by the Risk function and independent assurance provided by Internal Audit.

First line: Frontline staff

Primary responsibility for management of operational risks and taking adequate governance and control measures to manage the risks.

Second line: Risk and Compliance

Responsible for the design, implementation and effectiveness of risk management and monitoring of the first line of defence.

Third line: Internal Audit

To provide assurance about the effectiveness of first and second-line controls, with a direct reporting line to the ARC.

Governing bodies and senior management

The ARC, the Board and Executive Risk Committee sit above the three lines. Part of their job is to set the risk appetite for the Group, and the IPS business respectively.

Categorisation of Group risks

A principal risk is a risk or combination of risks that could seriously affect the performance, future prospects or reputation of the Law Debenture Group. The principal risks of the Group which could impact the achievement of strategic objectives are split into two categories: Principal Group risks and Emerging risks:

Principal Group risks

The identified Group risks predominantly relate to the Portfolio as that comprises approximately 80% of net asset value and the concentration risk of the IPS business as a whole which represents approximately 20% of our NAV.

Emerging risks

Given our objective to deliver long-term capital growth and steadily increasing income, we continually horizon scan for emerging risks which although, not an immediate threat, may impact our ability to deliver on our objectives to shareholders.

Risk management continued

Group risk summary and mitigating actions

PRINCIPAL GROUP RISKS	CHANGES TO RISK IN 2023	MITIGATING FACTORS
1. Investment Performance and Market Risk		
The risk of the Portfolio failing to deliver and/or failing to consider and react to market conditions to deliver the strategic objectives to: • Achieve long-term capital growth. • Deliver steadily increasing income. • Achieve a rate of return greater than the FTSE Actuaries All-Share Index, our benchmark. The principal risk is a material decline in the value of the NAV and under-performance against the benchmark. Investment performance and market risk are the largest risks to which the Group is exposed. Our investment risk includes market risk, gearing risk, credit risk and liquidity risk.	**Unchanged** The risk level remains high as geopolitical tensions and global economic pressures continue to have an unfavourable impact on global markets and therefore the Portfolio. High global inflation in the year undermines the value of investment returns.	• Market risk is an accepted risk given the nature of the Portfolio. To manage this inherent risk the Board regularly reviews the investment managers' report including risk indicators, MI, and other financial information and has open dialogue, robust discussion and challenge to the investment managers on their approach and performance, seeking explanations from the investment managers where performance is not in line with our objectives. • The investment trust is closed ended therefore does not have to sell investments to provide liquidity to shareholders who wish to sell. This enables our investment managers to invest for the long-term. • To mitigate leverage risk, all borrowings require the prior approval of the Board and gearing levels are kept under close review by the Board. We have substantial headroom on all of our existing borrowings.
2. Cyber, Technology and Systems Risk		
We rely on a set of critical IT systems which are fundamental to the day-to-day running of the business, as in any technology-enabled business. The threat of unauthorised or malicious attacks on our IT systems is an ongoing risk. Failures in these systems could lead to reduced revenue, increased costs, liability claims, or harm to our reputation or competitive position. This includes the systems of Janus Henderson, our investment manager.	**Increased risk** The cyber threat landscape is rapidly changing, with cyber-attacks growing ever more sophisticated and their increasing frequency and scale is well publicised. Industry data suggests that "bad actors" are becoming increasingly well-financed, with cyber experts warning of a rising use of commercial hacking tools.	• The Group is Cyber Essentials Plus certified, the highest level of certification offered under the Government-backed, industry-supported Cyber Essentials scheme which helps organisations protect themselves against common online security threats. Cyber insurance is also in place. • We place focus on training our staff about cyber security risks including phishing training and testing. • We adopt a continuous improvement approach to IT security and work closely with our supply chain and industry recognised best in class security providers. • The ARC is alert to the threat and risks of cyber security and receives regular updates on the strategic improvements to IT. • Janus Henderson are subject to an independent annual controls review to ensure there are no material deficiencies. During the year we conducted an on-site assessment of Janus Henderson's information system and business continuity/disaster recovery plans and consider them to be acceptable for our purposes. We also reviewed Janus Henderson's internal controls reports and ISAE 3402 report with a particular focus on IT, and no major issues were highlighted.

Risk management continued

PRINCIPAL GROUP RISKS	CHANGES TO RISK IN 2023	MITIGATING FACTORS
3. IPS Concentration Risk		
The unique setup of the Group as a Portfolio with the unquoted IPS business, which represents 20% of NAV and accounted for 33% of revenue return per share in 2023, creates an illiquid concentration risk. Failure to deliver on the IPS strategy could result in a significant reduction in valuation of the Group's largest asset thereby putting pressure on our ability to meet our stated objective of long-term capital growth, and steadily increasing income. IPS Concentration risk also includes aggregation of litigation, compliance, regulatory and internal control failures and people risk.	**Unchanged** The IPS business includes some counter-cyclical services which may help to counteract any adverse market conditions for other business lines.	• The IPS business comprises a diversified range of services with little client concentration risk. • The CEO and COO are accountable for the day-to-day running and operation of the IPS business with independent oversight and challenge from the Non-Executive Directors. The performance of the IPS business is reviewed at all regular Board meetings. • The annual IPS budget is subject to review and approval by the Board which provides robust scrutiny and challenge on IPS strategic plans. • Any significant IPS investment requires Board approval. This reduces the risk of unplanned concentration risk. • Valuation of the IPS business takes into account the illiquid nature of the holding. • The ARC has oversight of internal control findings from second/third line and external audit; and review and approval of the IPS valuation to ensure it appropriately reflects the risk of the IPS business.

Emerging risks and mitigating actions

EMERGING RISKS	CHANGES TO RISK IN 2023	MITIGATING FACTORS
1. ESG Considerations		
As ESG becomes an area of increased focus and regulation, we must consider the impact of ESG factors adversely affecting the Group's reputation and performance both directly and indirectly. The ESG regulatory landscape continues to change, therefore we must ensure that we do not fall behind in meeting these requirements including climate and ESG-related targets, as well as ESG-related disclosure requirements. There is also the risk of ESG issues in the companies that we invest in. We run the risk that one or a number of investee companies lose value, due to either not adapting to the ESG agenda, or from specific ESG incidents, resulting in a loss of value.	**Unchanged** The level of risk has been broadly in line with last year. We observe continued stakeholder recognition on the prominence of ESG risks. Challenges around the consistency and reliability of ESG ratings data remain.	• ESG is considered by our investment managers when selecting investments. ESG ratings and events in relation to our Portfolio holdings are regularly reviewed by the Board and challenged where necessary. • The investment managers regularly meet with the management of the companies that they hold in the Portfolio, which allows informed discussion around ESG-related issues. • Janus Henderson's research team continues to monitor regulations that impact our Portfolio. • We continue to engage and monitor with stakeholders on ESG, in order to identify trends, patterns and areas of key concern.

Looking to the future

In 2024 our focus is preparation and readiness for the UK Corporate Governance Code reforms around internal controls, as well as investing internally in systems and software that will support our future growth plans. We are also investigating the risks and opportunities that AI brings.

Viability statement

Viability statement

The Board has considered the Group's current financial position and the potential impact of its principal risks and uncertainties, and has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for a period of five years from the date of this report. The Board have increased the assessment period from three to five years, consistent with market peers and long-term nature of the investment trust.

In assessing the viability of the Group over the review period, the Board has considered a number of key factors, including:

Our business model and strategy

- The Board seeks to ensure that the Group delivers long-term performance. The closed ended nature of the investment trust creates a stable capital basis which enables our investment managers to take a longer term view in their construction and management of the Portfolio. This partially mitigates the risk to the Group of potential liquidity issues should shareholders wish to sell their shares, potentially avoiding any untimely requirements to sell down the Portfolio.
- As an investment trust, we benefit from the unique structure of a predominately UK-based equity Portfolio with a diversified revenue stream arising from the IPS business. As demonstrated by our long-term performance, the combination of the Portfolio and the IPS revenue streams provide protection to the long-term viability of the Group. Over a five year period, the share-price total return is 85.3%. The NAV total return with debt at FV is 62.4% compared to the FTSE Actuaries All-Index Total Return of 37.7%.
- One of the principal group risks relates to investment performance and market risk. Part of the risk to the Group is that a breach of our debt covenants results in a requirement for the Group to repay the debentures at short notice, potentially requiring the sale of assets during a market downturn. Whilst the Board acknowledges this risk, the uncertainty arising due to Covid and more recently the macroeconomic environment demonstrates the Group's ability to navigate these challenges. At the height of market decline on 23 March 2020, the Group maintained significant headroom on all covenants.
- The IPS business currently holds enough working capital to meet any short term requirements of the group and our book of clients provides a steady, largely reoccurring, flow of income. There has been a concerted focus on debtor management which has enhanced the IPS business's cashflow over the past year and improved our working capital cycle.

  Furthermore, the majority of the Portfolio is invested in UK listed securities which are traded on major stock exchanges, providing the Group with the ability to quickly liquidate assets, should the need arise.
- The investment trust has an ongoing charge of 2023: 0.49% (2022: 0.49%). This is the third lowest OCR in the UK Equity Income sector*.

Our business operations

- The investment trust retains ownership of all assets held by the Custodian under the terms of formal agreements with the Custodian and Depositary. This supports our ability to meet our Legal and Regulatory requirements and acts as a control to both verify the existence of our assets and further safeguard the interests of our shareholders.
- The Group's cash is all held with banks approved by the Board. The Company's cash balance, including money market funds, as at 31 December 2023 amounted to £12.4m (31 December 2022: £29.8m), with IPS holding a further £19.0m. Cash is treated as a fungible across the Group and it is deployed on a basis of need with periodic clear down of inter-company balances via an intra-group net-off agreement.
- There is long term borrowing in place comprising four debentures;

Maturity date	PAR Value	Interest
2034	£40m	6.125%
2041	£20m	2.54%
2045	£75m	3.77%
2050	£30m	2.53%
Total	£165m	Weighted average: 3.96%

  The weighted average cost of borrowing is 3.96%. Each debenture is subject to a formal agreement, including financial covenants which the Company has complied with in full during the year. As at the end of December, net gearing was 12.6%, which is well within the typical operating range of 10%-20%.
- During January 2021, the Company also made arrangements to put in place a £50m unsecured overdraft facility with HSBC. Whilst available, this facility is currently not in use but provides further mitigation of any liquidity risk.
- The Board reviews the Portfolio performance including revenue forecasts, along with other key metrics such as gearing at each Board Meeting and receives monthly financial reporting to monitor and manage the principal risk relating to investment performance.

In addition to this, the Board carries out an assessment of our principal risks and uncertainties which could threaten the Group's business model. This assessment has been shared separately and is presented as part of the annual report. As part of this exercise, the Board has assessed the emerging risks which may impact the operations of the Group and will

*Source: The AIC Compare investment companies | The AIC

Viability statement continued

continue to actively review the likely impact of these potential risks. This is set out at page 40.

The ongoing conflicts from Russia-Ukraine and Israel-Hamas, combined with geopolitical uncertainty from the US presidential election and likely UK general election in 2024 continue to influence the global and UK economy. The Board does not consider this will have an impact on the longer term viability of the Group, given the headroom identified in the risk sensitivities from the far more extreme scenarios.

In light of the current conditions, the Board has considered the Group's current financial position and the potential impact of its principal risks and uncertainties, and has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of five years from the date of this report.

Balance sheet resilience

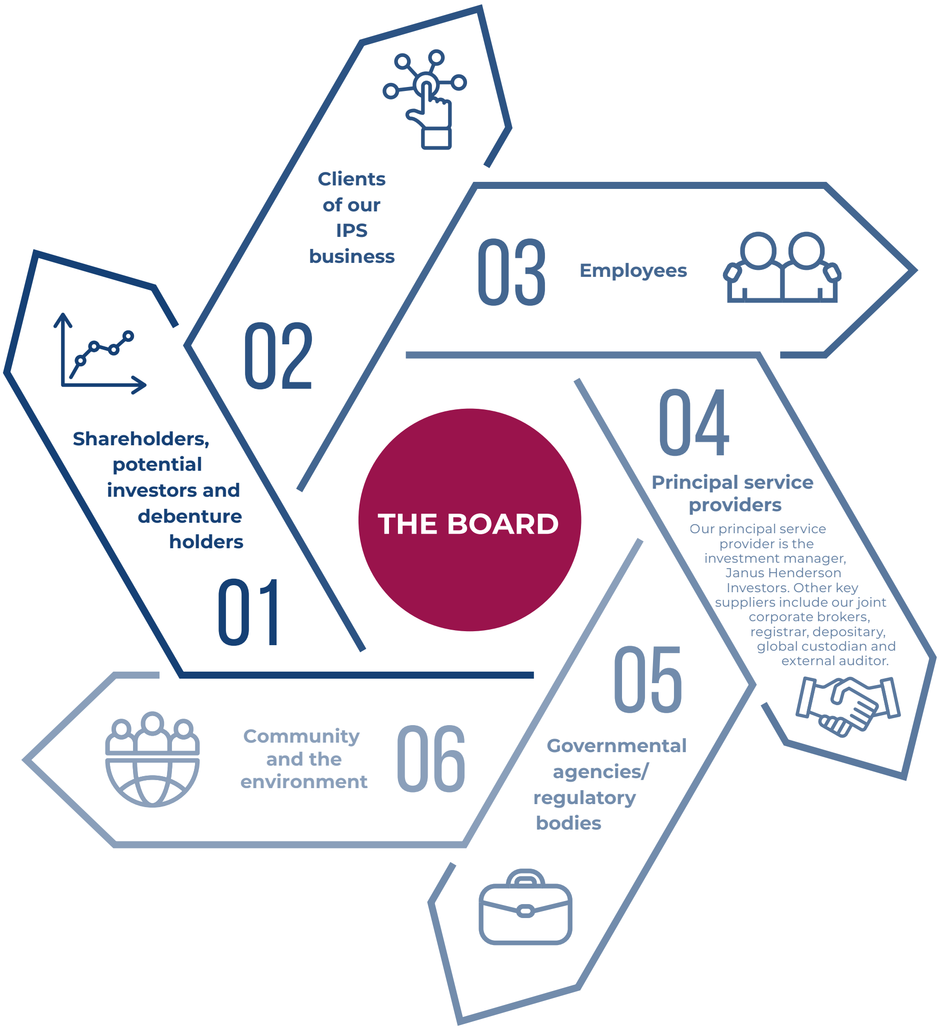
As at the 31 December 2023, Law Debenture Corporation held total investments, including cash and the IPS business of £1.21bn (31 December 2022: £1.14bn). With the exception of the IPS business, the majority of these assets are liquid and could be sold down within a short period of time, i.e. less than 10 working days.

The Board and the Executive Leadership team have actively monitored the cash position across the Group throughout the year, mindful of our commitment to pay quarterly dividends to shareholders. As of 31 December 2023, the Group holds cash of £31.4m (31 December 2022: £49.6m). In addition to this, the Company has an overdraft facility of £50m to protect against any significant fall of cash inflows.

Section 172(1) Statement

As reported on page 30, the Company's purpose is to deliver peace of mind for our shareholders, clients and staff through the combination of our Portfolio and IPS business. Our purpose, values and strategy are inextricably linked and are reflected in our policies, practices and high standards of business conduct.

The Board is responsible for the overall strategy and overseeing the management of the Company and the wider Group, setting investment principles and ensuring that it is acting in accordance with its legal and regulatory obligations. In discharging its responsibilities, the Board takes into account the Group's purpose, values and culture and acts in good faith to promote its long-term success, including oversight of stakeholder engagement, feedback from the same as appropriate and ensuring that obligations to its key stakeholders are fulfilled. Those impacted by the Company and the wider Group's activities and considered key to its operations can be placed into the following six main categories:



Case Study: Digital Workplace Project

Based on feedback from our colleagues in our quarterly eNPS surveys, our IT team is advanced in the delivery of a digital workplace project to create a more seamless working experience whether our people work in the office, remotely or on the move. This project will help to enhance our flexible working arrangements and tighten our operational capability whilst we continue to provide premium services to our clients.

We have also taken the opportunity to re-base and improve our controls around information security including data loss prevention, detection and pro-active monitoring.

The Audit and Risk Committee have been active in the oversight of the project with regular updates presented at that forum.

Section 172(1) Statement continued

Key priorities and main methods of engagement with key stakeholders in 2023

KEY STAKEHOLDERS	KEY PRIORITIES	ENGAGEMENT ACTIVITIES IN 2023
Shareholders, potential investors and debenture holders		
Investment from shareholders and debenture holders makes up the majority of the Company's capital, funding the principal investment activities. Shareholders also hold the Board accountable to its investment and governance objectives.	To deliver against our stated objective to provide long-term capital growth in real terms and a steadily increasing income. To provide a fair, balanced and understandable representation of the Company and the Group's position, performance, business model and strategy.	• Consultation with major shareholders on Directors' Remuneration Policy* • Distribution of the Annual and Half Year Reports • Registrar call centre/company secretarial inbox • Award nominations and wins* • Circulation of debenture compliance certificates • Engagement via the press and social media platforms including LinkedIn • AGM* • Institutional investor meetings (c. 50 held in 2023)* • Analyst and shareholder meetings* • Quarterly dividends • Daily NAV publications • Monthly Factsheets
Clients		
Clients help to create, maintain and grow demand for our IPS services. Their feedback is encouraged to help us continue to improve as a business.	Seek to provide peace of mind to our clients through delivery of an excellent service.	• Client care meetings • Client satisfaction surveys • Annual and/or other periodic reviews • Lens photography competition • Summer networking event • Annual Pensions Debate
Employees		
Our people are key to our IPS operations and we rely on their support and expertise to provide excellent services to our clients.	To provide a diverse and inclusive workplace which supports our people to grow their careers in a way that is both meaningful to them and promotes the delivery of our long-term strategy.	• Listening groups with the Workforce Engagement Director* • Employee wellbeing week • Quarterly meetings on colleague matters between the Workforce Engagement Director, COO and Head of Human Resources* • Celebration of culture and values via our annual culture week • Monthly culture carrier awards • Quarterly eNPS surveys • Monthly all-staff hybrid business updates • Bi-annual all-staff financial performance updates • Community groups to bring our people together • Learning and development training modules • Team and Company-wide events • Reports from Business and Department Heads at Board meetings* • Delivery of our Discovering Leaders programme

*Direct engagement with Directors or the Board. All other items are overseen by management and reported to the Board or its Committees, as appropriate.

Key priorities and main methods of engagement with stakeholders in 2023

KEY STAKEHOLDERS	KEY PRIORITIES	ENGAGEMENT ACTIVITIES IN 2023
Principal service providers		
We engage service providers to manage and safeguard our Portfolio, and to provide critical infrastructure and advice to meet our shareholders' expectations, service our client base and remain compliant with legal and regulatory requirements.	To provide a clear framework and open communication channel between us and our key service providers to facilitate the best possible investment outcomes for our shareholders.	• The investment managers attend all Board meetings* • Annual review of the investment manager's controls and compliance • Law Debenture route to market summit. An event to discuss shareholder engagement, held between internal stakeholders and representatives from our key external investment trust advisors • Quarterly meetings with custodian and depository • Quarterly meetings with our corporate brokers* • Annual service review with our registrar • Active engagement with large suppliers of the IPS infrastructure
Governmental agencies/regulatory bodies		
We have a duty to ensure we are compliant with any laws, regulations and applicable best practice. We also ensure that we engage in consultations and relevant discussions regarding new implementations or updates that might affect any of our key stakeholders and our ability to operate effectively within the market.	To comply with existing laws, regulations and applicable best practice and to contribute to discussions when these are being made, in the best interests of shareholders and our other key stakeholders.	• Responses to external consultations on proposed legal and regulatory changes including the Consumer Duty, UK Corporate Governance Code and changes affecting the responsibility of audit committees and audit standards • Regulatory and compliance updates to the Board and its Committees by the General Counsel, CFO, Group Company Secretary and Group MLRO, Risk and ESG Manager
Community and the environment		
We recognise that we are stewards of our community and the environment and that investment geared toward these helps to improve economic stability and build a more inclusive community. This in turn contributes to the Company's sustainability and subsequently helps us to deliver on our objective for our shareholders in light of our key stakeholders' interests.	To act responsibly as an institutional shareholder and to ensure we have a positive impact on the Company's operations, the community and our environment.	• Mentoring programme, with the University of Greenwich • Charity group supporting two named charities • Paperless initiative • Deemed consent for shareholders to receive electronic communications • Whitechapel Mission attended by our Executive and Senior Leadership teams • Observation of Sustainability Day • Voluntary TCFD disclosures • Energy efficient office buildings in London, Manchester and Sunderland • Minimal carbon emissions

*Direct engagement with Directors or the Board. All other items are overseen by management and reported to the Board or its Committees, as appropriate.

Section 172(1) Statement continued

Review of stakeholder engagement mechanisms

During the reporting period, the Board conducted a review of the effectiveness of its stakeholder engagement practices, including the existing governance structure around engagement, its list of key stakeholders and the engagement activities adopted. This included feedback from Clare Askem, in her capacity as Workforce Engagement Director, on the effectiveness of workforce engagement tools used since her appointment to the role in April 2022.

Regarding workforce engagement, it was determined that listening groups were a helpful tool however, they needed to be used when there were specific issues to explore given the Company's relatively small colleague base. Otherwise the existing level of employee engagement was found to be appropriate. Additionally, in an effort to explore ways to improve our shareholder engagement, a route to market summit was held during the reporting period and attended by the Executive Leadership team, our Business Development and Marketing team and our key investment trust advisors to discuss shareholder engagement and the revision of our marketing and investor relations strategy. An initial update was provided to the Board at its December meeting.

The Board concluded that the governance structure and current stakeholder engagement practices in general, remained effective. Debenture holders and governmental agencies/regulatory bodies have now been added as key stakeholders to the Group.

Key strategic decisions impacting stakeholders in 2023

Where appropriate, information or feedback received from shareholders and other key stakeholders are routinely reported to the Board by the Executive Leadership team, the General Counsel, the Group Company Secretary, IPS Business Heads, the Group Risk, MLRO and ESG Manager and the investment managers.

During the year, the Board made decisions to deliver against our strategy, whilst considering the different interests of our stakeholder groups and the impact of key decisions upon them. Each decision taken by the Board is with a view to ensuring that we deliver on our commitment to our shareholders to deliver long-term capital growth and steadily increasing income. The following provides an overview of some of the key decisions taken and how integral our stakeholders are in the Board's decision-making process.

1) REVIEW OF OUR TARGET OPERATING MODEL

Management has commenced a project to redesign our IPS operating model. This is aimed at driving consistent operational processes to support our business to scale and to further support our client facing teams as they focus on delivering value for our clients. As part of this project we have launched a new professional services automation tool for process improvements and to provide data driven insights. Management have engaged with colleagues from each of the IPS businesses to identify their operational challenges and potential solutions.

2) DIGITAL WORKPLACE PROJECT

Following employee feedback, we are in the process of implementing our digital workplace project, as described in the case study on page 45. This will improve communications and working efficiency across our business and with clients.

3) CONTINUED INVESTMENT IN DELIVERING LONG-TERM IPS REVENUE GROWTH

In the last year, the Executive Leadership team in consultation with the various Business and Department Heads have developed a five year strategic growth plan for IPS, which has been presented and discussed with the Board. The aim being to continue to deliver long-term and steadily increasing income to shareholders and premium services to our IPS clients.

4) CONSUMER DUTY

The FCA determined that the Company is within the scope of the Consumer Duty, which requires firms to deliver good outcomes for retail customers. As a result, the General Counsel and Group Company Secretary under the oversight of the Board conducted a review of the governance mechanisms in place to ensure that with respect to retail shareholders the Company (1) acts in good faith (2) avoids causing foreseeable harm and (3) is able to provide the appropriate support in pursuing their financial objectives. This process also included engagement with distributors as defined by the relevant regulations, the Association of Investment Companies, external counsel and other external and internal stakeholders. Further details on the review may be found in the Directors report on page 61.

Environmental, Social and Governance (ESG)

Case study: Understanding the factors which impact Shell and BP's journey to decarbonise operations

Our investment managers have engaged a number of times with Shell and BP on the companies' progress to decarbonise their operations and their work to reduce methane emissions.

Our investment managers have spoken with both companies on methane emissions and believe there is positive progress being made as both companies are operating widespread Leak Detection and Repair programmes, leveraging available satellite data and have already targeted the super emitting sites. Continued engagement is focused on increasing the scope of reporting and target setting, specifically to cover assets which the companies are part owners of.

BP downgraded its interim carbon reduction targets from a 40% carbon emission cut (based on 2019 emissions) by 2030, to a 25% cut to emissions by 2030. This is because the company is increasing investment in oil and gas projects. Oil & gas companies have a key role in providing energy for customers, with the Russian invasion of Ukraine energy supply becoming a larger issue. Decarbonisation needs to be considered alongside energy accessibility and affordability. BP maintains its long run target to have net zero carbon emissions by 2050 and we will continue to engage with BP regularly to ensure the company continues to reduce its carbon emissions and provide a credible pathway to meet its longer term targets.

Group approach to ESG

ESG considerations may help to underpin sustainable long-term returns for our shareholders, as well as promoting behaviours aligned to our corporate purpose and values, as set out on page 7.

In 2023, we remained committed to making further change happen by enhancing the availability of ESG specific information in the public domain, continuing with our voluntary TCFD disclosures for 2023 year end, increasing our Corporate Social Responsibility initiatives, and adding further content to the ESG web page https://www. lawdebenture.com/about-us/esg. In 2024 we continue to increase ESG awareness across the Group via education, communication, and a range of activities.

ESG considerations when investing

Whilst we are not positioned as an ESG investment trust, our investment managers consider ESG factors as part of their fundamental analysis. As part of their overall investment risk analysis, the investment managers consider ESG risks that are material and could impact a company's prospects, would likely to have a significant impact on the financial condition or operating performance of a business, and therefore are risks with potential to influence investment decisions. Our investment managers also evaluate a company's ability to manage these risks when making a decision to invest. Therefore we consider ESG materiality if omitting, obscuring or misstating it could be reasonably expected to influence investment decisions.

Whilst ESG data is considered, the managers' approach to ESG is more qualitative which means that companies with weaker ESG risk profiles are not automatically excluded from the portfolio. The team proactively engages with senior management on key ESG issues and risks, assessing their responses and subsequent actions. Typically the managers meet at least annually with the companies held in the Portfolio with part of the discussion covering material ESG concerns.

The managers do not explicitly exclude any stocks or sectors, but they will divest or not invest in companies where company management are not considered to be appropriately managing risks, or where they believe companies do not present an attractive risk reward proposition.

The Board reviews quantitative ESG metric reporting for the Portfolio. The inclusion of this data informs discussion and debate regarding our ESG positioning. We will continue to consider our approach to ESG as data improves and the asset management industry becomes more experienced in analysing the ESG impact of investing.

Environmental

As a business, we are conscious that our decisions could impact the environment. The Group's Scope 2 carbon emissions arise from its consumption of energy in maintaining its offices. Our London and Manchester offices use 100% renewable energy with no carbon emissions and are each built according to high sustainability standards. 80% of global staff are based at these two offices.

Environmental, Social and Governance (ESG)

Emissions data (unaudited)

	Tonnes of CO2e		
As at 31 December	2023*	2022**	2021
Scope 1	—	—	—
Scope 2	36.43	47.21	138.50

	Tonnes of CO2e per £000 of IPS revenue		
As at 31 December	2023*	2022	2021
Scope 1	—	—	—
Scope 2	0.0006	0.0009	0.0028

* Decrease year-on-year due to carbon improvement in energy providers' fuel mix, and better availablity of utility bills for the period in one overseas office, allowing for more accurate reporting of energy (with a less intensive carbon outcome) rather than DEFRA carbon average.

** Reduction in CO2e due to renewable energy use at main offices during 2023.

Of the remaining office space, 11% of Scope 2 emissions are from UK IPS operations with the remainder from our overseas offices. The Group is not yet required to calculate Scope 3 emissions.

The following describes the methodology used to calculate our Scope 2 emissions. Where available, direct energy bills from office energy consumption are used. Energy bills are pro-rated where we share office space in the building. The CO2e of the energy provider is used with this data to calculate the net emissions impact. In our smallest office space, which forms part of a much larger building, accurate data on energy consumption is not readily available so we used an alternative calculation methodology of an average of Group energy consumption per employee.

The ratio used "Tonnes of CO2e per £000 of IPS revenue" uses IPS revenue from notes to the accounts "6. Segment analysis". As we are calculating Scope 2 emissions (energy used in our offices), IPS revenue is used in the ratio, as the Portfolio has nil Scope 1 and 2 CO2e emissions. The energy calculations have not been externally audited.

The Group does not have defined "net zero emissions" targets as we do not yet calculate Scope 3 emissions. The parent company, The Law Debenture Corporation p.l.c., heads the Group and reports on the streamlined energy and carbon reporting (SECR) regulations in the table above. None of the Group subsidiaries meets the SECR regulations at an individual level.

Greenhouse gas reporting definitions

Carbon greenhouse gas (GHG) usage is calculated and presented in three categories using The Greenhouse Gas (GHG) Protocol:

Scope 1 – direct GHG emissions from combustion in owned or controlled boilers, vehicles (nil consumption for Group)

Scope 2 – energy emissions from own consumption of purchased electricity, heat, steam and cooling – e.g. offices where we are in control of our energy

Scope 3 – other indirect emissions of wider operational reach including investments, business travel, supply chain, and office energy not captured in Scope 1 or 2.

Case Study: Our IPS business supporting Pulse Clean Energy to help deliver the UK's Net Zero targets

We acted as security agent on a £175m credit facility for Pulse Clean Energy, Pulse's first debt raise. The proceeds are to be used to support the development of multiple new energy storage and grid stability facilities across the UK, which will help to create jobs across the country and deliver on the UK's Net Zero targets. Pulse has just completed the acquisition of 30MW of battery assets in Manchester which will come online in 2024 and their pipeline includes 300MW of Battery Energy Storage System projects due to come online by the end of 2024.

Environmental, Social and Governance (ESG) continued

Environmental - Safecall team members join SeaScapes Tyne to Tees for a litter pick at South Shields beach

Task Force on Climate-Related Financial Disclosures (TCFD)

Law Debenture are not required to provide Climate-related Financial Disclosures in accordance with the Companies Act, nor required to disclose alignment with TCFD recommendations as an investment trust with less than £5bn of Assets Under Management. However, we are sharing voluntary TCFD across 3 of the 11 TCFD Recommendations available at https://www.fsb-tcfd.org/recommendations/

Fully compliant disclosures have been provided in respect of:

- Governance – disclosures a) and b); and
- Risk management – disclosure a).

In addition, we are partially compliant with metrics and targets disclosure b) (disclosures provided are partially compliant because Scope 3 emissions are not yet disclosed).

After careful consideration we have chosen to retain our existing TCFD reporting level until these become mandatory, in order to focus on areas which are more significant for our Group in order to achieve its strategic objectives.

As part of this exercise to understand climate change materiality risks on our financial statements we have undertaken an assessment and concluded there are no material climate change risks impacting our financial statements.

The Portfolio has no sector exclusions and is not an ESG-focused fund. The Portfolio does not concentrate solely on promoting environmental and/or social characteristics (which must also have good governance practices) and does not have sustainable investment as its principal objective. We do not include ESG terms such as 'responsible', 'ethical', 'climate' or 'social' in the Company name. Our IPS business is a low carbon emitter as shown on page 50 on our Scope 1 and 2 emissions data table, which is very low for an operational business within the FTSE 250 index.

In the table of voluntary TCFD disclosures on pages 52 to 53, we have presented a view of TCFD across the Portfolio and the IPS business for greater transparency, as opposed to a single set of disclosures for the entire Group.

Our investment managers at Janus Henderson manage our Portfolio. Further information on Janus Henderson's TCFD disclosures can be found on its website www.janushenderson.com.

Environmental, Social and Governance (ESG) continued

VOLUNTARY TCFD REPORTING

GOVERNANCE

Disclose the Company's governance around climate-related risks and opportunities.

Overview to Governance

The Audit and Risk Committee (ARC) reviewed the ESG Strategy and Implementation Plan (the Plan) for the Group in July 2022. We will continue to evolve the Plan as the industry matures, based on feedback from the ARC and Board taking into consideration views of key stakeholders such as shareholders and their representatives.

Law Debenture does not currently have climate-related goals and targets because we are not an ESG fund. Due to the nature of the IPS business already being a low direct carbon emitter as our Scope 1 and 2 emissions on page 50, are very low for an operational business within the FTSE 250. The Board will revisit climate-related goals when TCFD reporting becomes mandatory for investment trusts of our size.

Portfolio	IPS Business
Within the Portfolio, climate-related risks and opportunities are assessed where they are considered to be material to the investment rationale, refer to "ESG Considerations when investing" on page 49 for further information. This assessment is alongside the fundamental research that is integral to the investment process. There are no sector exclusions in the Portfolio. Instead, the focus is on active engagement with companies in order to better understand how climate risks and opportunities are managed. Interactions and engagements with companies are reported to the Board on a quarterly basis. These discussions can take place either directly via the investment managers or via Janus Henderson's Governance and Stewardship team.	Climate-related risks and opportunities are overseen by our ESG Committee. The ESG Committee is made up of a cross-function mix of Law Debenture employees to drive, create and review Law Debenture's ESG policies for approval by Executive Leadership and the ARC. In line with this approach, climate-related risks are also considered as part of our ESG risk management procedures. In line with the Group's policy for identifying risks and opportunities, risks are identified through a "bottom up" approach by Business Units and central functions, including the Shared Services Centre, and are documented, assessed and monitored in Business Unit risk registers or via the ESG Committee which oversees the TCFD disclosures and impacts.

STRATEGY

Disclose the actual and potential impacts of climate-related risks and opportunities on the company's businesses, strategy, and financial planning where such information is material.

Overview to Strategy

In undergoing our financial planning, no climate-related impact to our balance sheet or income statement is expected at present and therefore no financial adjustments are required. This will be reviewed on a periodic basis by the Executive Leadership team and the ARC.

Portfolio	IPS Business
The investment managers are tasked with growing capital and income by investing in a diversified portfolio of companies. There are no specific ESG or carbon-related targets. The investment managers seek to identify material risks and opportunities relevant to each investment case over a variety of time horizons as per their investment decisions. The need to decarbonise the global economy over the long term presents investment opportunities. For example, industrial gas company Air Products & Chemicals and sustainable technology company Johnson Matthey are currently benefitting from the need to decarbonise. We continue to invest in early-stage companies, Ceres Power, AFC Energy and ITM, who are developing and manufacturing technologies that will benefit from decarbonsation trends over the longer term. The investment managers report to the Board on ESG related considerations as part of their regular updates.	We are a minor Scope 2 emitter, from the energy consumed in the organisation via our offices. Our head offices use green energy from 100% renewable energy sources. Legislative change in relation to carbon, including reporting requirements and taxation implications poses an immaterial risk to our business along with others in the marketplace and we must ensure we are able to meet such reporting requirements.

Environmental, Social and Governance (ESG) continued

RISK MANAGEMENT

Disclose how the company identifies, assesses, and manages climate-related risks.

Overview to Risk Management

Our approach to risk management includes a review of climate-related risks that are reported to the ARC annually, most recently in December 2023. We have assessed the impact of climate change on the financial statements of the Group and concluded that presently there are no adjustments required to the financial statements.

We consider climate risk for the Group to be low and it is not considered to be a principal risk under the Group's scoring assessment of principal risks in Risk Management on page 39. ESG considerations, including climate regulatory reporting requirements such as TCFD, remain an emerging risk and we will continue to review this on a regular basis.

Portfolio	IPS Business
Climate-related risks within the Portfolio are predominantly assessed through investment analysis. This includes scheduled company reporting, meetings with company management and access to third party research. Where appropriate we engage with company management in order to increase climate disclosures and to set clear and measurable greenhouse gas reduction targets. Our investment managers utilise reporting in their investment decisions that includes a screening for portfolio companies held with the highest contribution to portfolio carbon risk.	Climate considerations are reviewed at an operational level where feasible. The majority of direct carbon and energy usage is via the office locations. There has been an active decision to move into sustainable premises at our two largest offices, the London head office and Manchester sites (c.80% employees), which are both sustainable BREEAM offices. There have been no IPS assets impaired because of climate-related physical risks.

METRICS AND TARGETS

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Overview to Metrics and Targets

As the direct climate risk for Law Debenture is low, it has been decided not to accelerate the implementation of metrics. During the year, we undertook an assessment on calculating Scope 3 emissions across the Group and have decided not to publish Scope 3 emissions given that a) we are not an ESG fund, and b) due to the highly complex and costly barriers to entry in calculating this metric in the operational IPS business.

Portfolio	IPS Business
There are currently no KPIs to assess climate-related risks that are applied to the Portfolio in aggregate.	Our current reporting metric is Scope 1 and 2 carbon emissions, which we publish on page 50 using the Greenhouse Gas Protocol.

Environmental, Social and Governance (ESG) continued

Social

Diversity and inclusion

The composition of our Board and Executive Leadership team reflects a diverse cross section of gender, ethnicity, age and background. We are proud of the progress we have made and believe we are reaping the rewards of genuine diversity of thought. We have been ranked 2nd in the FTSE 250 Rankings for Women on Boards and in Leadership **(and 1st in the Financial Services sector)**, for two consecutive years by the FTSE Women Leaders Review. We fully support all the recommendations in this report.

For more information on the progress of our diversity and inclusion objectives please refer to pages 72 and 73 and our published Gender Pay Gap Summary (https://www.lawdebenture.com/news/ lawdeb-publishes-gender-pay-gap-summary) which highlights areas where we have made excellent progress.

At Law Debenture we provide governance solutions to some of the UK's largest organisations. We understand the impact that we can have and commit to lead by example. Examples of our achievements in the ESG space include:

- Three of our colleagues nominated in BDO's #EmbraceEquity campaign to mark International Women's day 2023; Trish Houston, COO; Hester Scotton, CFO; and Lily Frost, Associate Director in Corporate Trust and ESG Committee member.

REPORTING ON GENDER IDENTITY (unaudited)

As at 31 December	Number of Board members		Percentage of the Board		Number of senior positions on the Board (CEO, COO, SID and Chair)[1]		Number in executive management[2]		Percentage of executive management[2]		Number in senior management[3]		Percentage of senior management[3]		Number in Group employees		Percentage of Group employees	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022*	2023	2022	2023	2022	2023	2022
Men	4	4	57%	57%	3	3	1	1	33%	33%	8	9	44%	38%	136	118	45%	45%
Women	3	3	43%	43%	1	1	2	2	67%	67%	10	15	56%	62%	163	144	55%	55%
Total	7	7	100%	100%	4	4	3	3	100%	100%	18	24	100%	100%	299	262	100%	100%

REPORTING ON ETHNIC BACKGROUND (unaudited)

As at 31 December	Number of Board members		Percentage of the Board		Number of senior positions on the Board (CEO, COO, SID and Chair)[1]		Number in executive management[2]		Percentage of executive management[2]		Number in senior management[3]		Percentage of senior management[3]		Number in Group employees		Percentage of Group employees	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022*	2023	2022	2023	2022	2023	2022
White British or other White (including minority-white groups)	6	6	86%	86%	4	4	3	3	100%	100%	16	22	89%	92%	200	182	67%	69%
Mixed/Multiple Ethnic Groups	—	—	0%	0%	—	—	—	—	0%	0%	1	1	6%	4%	9	12	3%	5%
Asian/Asian British	1	1	14%	14%	—	—	—	—	0%	0%	—	—	0%	0%	41	30	14%	11%
Black/African/ Caribbean/ Black British	—	—	0%	0%	—	—	—	—	0%	0%	—	—	0%	0%	21	15	7%	6%
Other ethnic group, including Arab	—	—	0%	0%	—	—	—	—	0%	0%	1	1	6%	4%	13	8	4%	3%
Not specified/ prefer not to say	—	—	0%	0%	—	—	—	—	0%	0%	—	—	0%	0%	15	15	5%	6%
Total	7	7	100%	100%	4	4	3	3	100%	100%	18	24	100%	100%	299	262	100%	100%

*Restated

1 At Law Debenture, the role of COO has been defined as a Senior Board position. The CFO is not a Board position but is a member of the executive management.

2 Executive management report to the Board.

3 We have aligned our definition of "senior management" to that of the Parker review (https://parkerreview.co.uk/) during 2023, therefore 2022 numbers have been restated. The Parker review defines senior management as members of the Executive Committee (or equivalent) and of the senior managers who report directly to the members of the Executive Committee; "ExCo and ExCo minus one". We have excluded the CEO and COO who are also members of the Board as well as members of the Executive Committee. Changes to female representation among senior management largely due to organisational changes. There remains strong female representation across the Group.

Environmental, Social and Governance (ESG) continued

- Trish Houston is also a diversity champion and most inspiring returner finalist in the Women in Investment Awards 2023.
- Women in Pensions Awards 2023 for Law Debenture Organisational Award for Supporting Diversity, and a number of Law Debenture colleagues including Natalie Winterfrost as Sustainability/ESG Woman of the Year.
- Chartered Governance Institute UK & Ireland Diversity & Inclusion Initiative of the Year 2023 (Law Debenture Shortlist).
- Shortlisted in the 2023 INSEAD alumni balance in business awards which recognises trail-blazing FTSE350 organisations levelling the playing field for women and men in the workplace.

DE&I considerations are ingrained in the way we operate. A few of the actions undertaken in 2023 include:

- Ongoing culture initiatives – such as Culture Week 2023 to bring together colleagues across the business to meet and share ideas and with our charity partners coming in to talk with us around how we can help our local communities.
- Encouraging volunteering days, including the Sunderland team attending a beach clean, volunteering at The Whitechapel Mission, and working with Wood Street Mission in Manchester.
- Workforce engagement director facilitating a listening and discussion group with colleagues on their concerns, ideas and mechanisms for improving DE&I.
- Ethnicity and gender shortlisting requirement with our preferred recruitment providers.
- Supporting our nominated charities of the year, the Samaritans and Marie Curie, via a wide variety of activities.

Data collection

Collection of data for the table on page 54 is based on HR system data and on a voluntary basis which employees are encouraged to complete at enrolment. Where gaps and missing fields are identified, targeted emails are sent out on an annual basis encouraging colleagues to provide the missing data.

Human rights and modern slavery

The Group believes in the importance of doing business in ways that value and respect the human rights of our staff, customers, and business partners.

The Group will not knowingly engage with companies that use unlawful child labour or forced labour, nor will it knowingly accept products or services from suppliers that employ or utilise child labour or forced labour.

Pursuant to the UK Modern Slavery Act, our Modern Slavery Statement is published on our website (https://www.lawdebenture.com/investment-trust/shareholder-information/corporate-governance/modern-slavery).

Social Case Study: Engaging with Sanofi on clinical trial diversity

Our investment managers engaged with healthcare company Sanofi on clinical trial diversity and ongoing litigation. The efficacy and safety of medicines can vary based on a number of factors including gender, race and age. Sanofi is working to increase the diversity of the application of its medicines through clinical trials and is creating a team dedicated to improving diversity across its pipeline at each stage.

Law Debenture Senior Leadership Team volunteering at The Whitechapel Mission

Governance

Good governance is central to Law Debenture.

As a FTSE 250 PLC, we comply with the requisite laws and regulations including the UK Corporate Governance Code and the Financial Conduct Authority's Listing Rules – for further details see our Corporate Governance report on pages 66 to 69.

Environmental, Social and Governance (ESG) continued

As an investment trust, we also adhere to the UK Stewardship Code (the Code) through our investment manager. The Code sets out investment standards to be applied by institutional investors, asset managers and service providers.

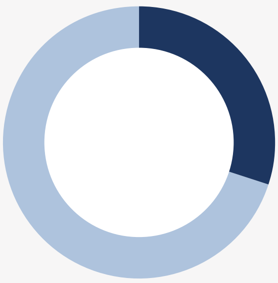
Voting

We delegate stewardship activities to our investment managers. As an active manager their preference is to engage with management and boards to resolve issues of concern rather than to vote against shareholder meeting proposals. In their experience, this approach is more likely to be effective in influencing company behaviour. However, where they believe proposals are not in line with shareholder interests or where engagement proves unsuccessful, they will vote against.

Law Debenture Voting Summary

During 2023, our investment manager voted on behalf of Law Debenture at 168 company meetings, 50 with at least one vote against management.

% of AGMs with at least one vote against management



Source: Janus Henderson using Institutional Shareholder Services ('ISS') categories, 31 December 2023, for the period 1 January 2023 to 31 December 2023.

Note: Some meetings had more than one vote against management.

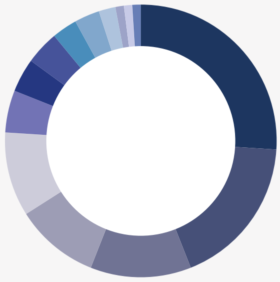
- **30%** of meetings with at least one vote against management
- **70%** of meetings where we did not vote against management

Notable votes cast against management proposals:

Bristol-Myers Squibb

We voted against management, in favour of a proposal which would separate the role of the Chair from the role of the CEO as we believe this is best corporate governance practice.

Voting by category



Source: Janus Henderson using Institutional Shareholder Services (ISS) categories, 31 December 2023, for the period 1 January 2023 to 31 December 2023.

26%	Director-related
18%	Compensation
12%	Capitalisation
10%	Auditor-related
10%	Environmental & Social
5%	Routine Business
4%	Related-Party Transaction
4%	Strategic Transaction
3%	Financial Statements
3%	Shareholder Rights
2%	Equity Issuance
1%	Company Continuation
1%	Political Donation
1%	Strategy

Notable votes cast in favour of management proposals:

AFC Energy

We voted in favour of management, against the recommendations of our proxy advisor. We acknowledge that early-stage companies can have some governance shortcomings, however the company is aware of the need to deal with this. The focus during the year was on operational change and there has been some success. They will be able to recruit better as they become a stronger business.

i3 Energy

We voted in favour of management, against the recommendations of our proxy advisor. The company is changing fast and has worked to improve governance issues in the past.

Environmental, Social and Governance (ESG) continued

Governance Case Study: Hipgnosis Songs Fund

The portfolio holds a position in Hipgnosis Songs Fund (SONG), with the view that music streaming is an area of structural growth and the trust holds a high quality collection of assets. The SONG Board recently proposed an asset sale of a catalogue of songs to a related party (Hipgnosis Songs Capital, a partnership between SONG's investment advisor and Blackstone) at a substantial discount to the published NAV. This proposed asset sale highlighted several corporate governance concerns. For example the majority of the disposal was agreed bilaterally, without the potential for competing third-party bids. While there was a 'Go-Shop' provision for competing bids to potentially be put forward, this came with a large termination fee if agreed which we felt was unjustifiable. We met with the management team and the Board of SONG on several occasions in the weeks leading up to the vote on the asset sale, as well as the continuation vote for the Trust. Following these meetings we decided to vote against both the proposed asset sale and the continuation of the Trust. The Trust has recently put in place a new Chairman and Non-Executive from Round Hill (a competing trust that was recently sold). We are meeting with the new Chairman in the coming weeks.

Case Study: Review and Selection of a Staff Pension Scheme

In Q4 2022 the Law Debenture Pensions Governance Committee supported by an independent employee benefits adviser undertook a review of its staff pension provision. This review was driven by a strong commitment to deliver value for members, enhancing administration and service capabilities, and placing a greater weight on Environmental, Social and Governance (ESG) considerations within the default investment strategy.

The selected default strategy - Aviva's My Future Focus investment is designed with ESG considerations integrated throughout its construction and ongoing management. Through engagement and voting activities, good practice is promoted among the investments held in the underlying funds managed by Aviva Investors, reducing investment risk on ESG issues.

The Committee noted Aviva's ambition is to be a net zero emissions company by 2040, including net zero from investments, with a clear pathway for this journey and ahead of the 50% cut required by the Paris Agreement.

IPS as a provider of governance services

From its origins over 130 years ago Law Debenture has diversified to become a group with a range of governance services, further details can be found in the Chief Executive Officer's review found on pages 8 to 15.

Law Debenture ESG Committee

The ESG Committee met seven times during 2023 and is chaired by the Group ESG Manager who also attends meetings of the Audit and Risk Committee. ESG matters relating to strategy are escalated to the Board for approval.

For 2024, the ESG Committee and Audit and Risk Committee will continue to drive forward the Group's commitment to the environment, social responsibility, corporate governance and sustainability and take the necessary steps to enhance its disclosures to investors and the wider market.

This report was approved by the Board of Directors on 26 February 2024 and signed on its behalf by

Law Debenture Corporate Services Limited
Company Secretary

The Board

Robert Hingley

Board Chair, Independent Non-Executive Director N R

Appointed to the Board on 1 October 2017 and appointed Chair in April 2018.

A corporate financier with over 30 years' experience, Robert was a partner at Ondra LLP until October 2017. From 2010 until 2015, he was a managing director, and later senior advisor, at Lazard. He was previously director-general of The Takeover Panel from 2007 on secondment from Lexicon Partners, where he was vice chairman. Prior to joining Lexicon Partners in 2005, he was co-head of the Global Financial Institutions Group and head of German investment banking at Citigroup Global Capital Markets, which acquired the investment banking business of Schroders in 2000. He joined Schroders in 1985 after having qualified as a solicitor with Clifford Chance in 1984.

Robert is currently the chairman of Phoenix Spree Deutschland Limited, Euroclear UK and International Limited, Marathon Asset Management and chairman of governors at North London Collegiate School. He is also a member of the Takeover Panel and a trustee at the Bishopsgate Institute.

Key skills and experience contributed to the Company include strategy, corporate finance, corporate governance and mergers and acquisitions.

Denis Jackson

Chief Executive Officer

Appointed to the Board on 1 January 2018.

Denis joined Law Debenture in July 2017 as Chief Commercial Officer. He was previously at Capita plc as director of new business enterprise, having been a director at Throgmorton UK Limited (which Capita acquired). Prior to that, he was regional general manager for Europe and the United States at Tibra Trading Europe Limited, a FCA regulated proprietary trading company, which he joined from Citigroup (formerly Salomon Brothers). He spent almost 20 years there in a variety of roles including in Treasury (both in New York and London), as head of the finance desk in Hong Kong, head of fixed income prime brokerage in New York and ultimately, head of EMEA prime brokerage sales.

Key skills and experience contributed to the Company include strategy, commerce, corporate finance and governance and operational and transactional leadership in regional organisations.

Trish Houston

Chief Operating Officer

Appointed to the Board on 2 September 2020.

Trish brings twenty years of experience in leadership roles in the financial services industry. Previously, she was a member of the senior management team at JDX Consulting Limited, where she had executive responsibility for HR, IT and facilities and oversaw the merger of three businesses. Prior to that, Trish was a partner at Ruffer LLP where she held several roles including global head of HR and global head of risk. She was also a member of the investment management team at PricewaterhouseCoopers LLP and worked in their offices in the UK, Australia and Switzerland.

Key skills and experience contributed to the Company include operational growth, risk management, strategy and human resource management.

Key

A Audit and Risk Committee | R Remuneration Committee | N Nomination Committee | ● Committee Chair

A R N **Tim Bond** Senior Independent Director

Appointed to the Board on 14 April 2015 — Tim was previously a partner at Odey Asset Management LLP until March 2023, having joined in 2010 as its head of macroeconomic strategy, and then subsequently managed Odey's Odyssey Fund. Before joining Odey, Tim spent 12 years at Barclays Capital as managing director and head of global asset allocation. Tim was editor and principal author of Barclays Capital's Equity Gilt Study and chief advisor to the bank's RADAR Fund. Prior to Barclays, Tim worked at Moore Capital and spent 10 years as a strategist and trader for Tokai Bank Europe, a proprietary trading boutique. Tim Bond will retire at the end of the 2024 AGM, having completed nine years on the Board.

Key skills and experience contributed to the Company include fund management and investment, strategy, corporate finance, ESG matters and distribution to investors.

A R N **Pars Purewal** Independent Non-Executive Director

Appointed to the Board on 16 December 2021 — After a career spanning more than thirty-five years, Pars retired as a senior partner of PricewaterhouseCoopers (PwC) in June 2019. His experience included being PwC's UK Asset Management leader for ten years and finance partner for both asset and wealth management. He was also chair of the Audit Committee of both Brewin Dolphin Holdings PLC and Federated Hermes International. He is a Fellow of the ICAEW, board chair of Beyond Food Foundation, a non-executive director of Finsbury Growth & Income Trust PLC and Royal London Mutual Insurance Limited.

Key skills and experience contributed to the Company include an in-depth knowledge of the financial services sector, audit and accounting, fund management, risk management and compliance.

R A N **Claire Finn** Independent Non-Executive Director

Appointed to the Board on 2 September 2019 — Claire's most recent executive experience was at Blackrock, where she spent almost 13 years, becoming managing director and head of UK DC, Unit Linked and Platforms, responsible for strategy, innovation and growth. Previous roles at BlackRock included director/managing director, head of strategic alliances, director of sales and relationship management, and vice president of product development. She previously held roles in product management at Henderson Global Investors (2001 – 2005) and relationship management at Bank of Tokyo-Mitsubishi, London (1999 – 2001). Claire is currently chair of UBS Asset Management Life Limited and a non-executive director of Artemis Fund Managers Limited, Sparrows Capital Limited, Octopus Apollo VCT and Baillie Gifford Shin Nippon Public Limited Company.

Key skills and experience contributed to the Company include investment management, distribution to retail and institutional investors, strategic innovation and growth in the UK asset management, pensions and insurance industries and corporate governance.

A R N **Clare Askem** Independent Non-Executive Director

Appointed to the Board on 10 June 2021 — Clare has an extensive background in strategic development and in-depth experience in business change and digital transformation. Previously, Clare was managing director of Habitat at Sainsbury plc and was a director on the Sainsbury's Argos operating board. Prior to her role at Habitat, Clare held a number of executive positions at Home Retail Group plc including director of strategic development, chair of the group's technology committee and director on the operating board for Homebase. Prior to these roles Clare also held other executive positions at Dixons Carphone plc. Clare is currently a non-executive director of Portmeirion Group PLC and IG Design Group plc.

Key skills and experience contributed to the Company include strategy, corporate transactions and digital marketing and distribution.

A R N **Maarten Slendebroek** Independent Non-Executive Director

Appointed to the Board on 11 January 2024 — Maarten has over 35 years of investment management experience and extensive knowledge in strategic development having previously worked as distribution and strategy director and later CEO of Jupiter Fund Management plc until November 2019. Before then he was managing director and head of international retail at BlackRock for over 18 years. Maarten is currently chair of the supervisory board at Robeco (Rotterdam), chair of Mintus and a non-executive director at Brooks Macdonald Group plc. He also serves on the board of trustees for the Orchestra of Age of Enlightenment Trust.

Key skills and experience include an in-depth knowledge of the financial services sector, fund and investment management, strategic development and governance.

Directors' report

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2023. The Company operates as an investment trust in accordance with sections 1158-1159 of the Corporation Tax Act 2010 as amended (CTA 2010) and has been approved as such by HM Revenue & Customs. In the opinion of the Directors, the Company has conducted its affairs so as to enable it to continue to be an approved investment trust under the CTA 2010. The Company, which is not a close company, is registered as an investment company as defined in section 833 of the Companies Act 2006 and operates as such. The Directors consider that the Group operates as a going concern.

The Corporate Governance report forms part of the Directors' report.

Essential contracts

In the view of the Board, the only contract that is essential to the business of the Group is the investment management agreement with Janus Henderson, details of which are set out in the strategic report on page 33.

Financial instruments

The Company's financial instruments, financial risk management objectives and policies arising from its financial instruments and its exposure to risk are disclosed in note 19 to the Accounts.

Revenue, dividends and reserves

The Group revenue return attributable to shareholders for the year ended 31 December 2023 was 33.43p per share. The Directors recommend a final dividend of 9.125p per share, which, together with the three interim dividends of 7.625p paid in each of July and October 2023 and January 2024, will produce a total of 32.0p per share if approved by shareholders at the AGM (2022: 30.5p). The final dividend will be paid on 11 April 2024 to holders on the register on the record date as at 8 March 2024. After deduction of the interim and final dividends of £41.9m (2022: £38.9m), consolidated revenue reserves increased by £1.5m (2022: increased by £4.5m).

Directors

The Directors at the date of this report are listed on pages 58 and 59. All Directors held office throughout the year, other than Maarten Slendebroek who was appointed on 11 January 2024.

All Directors are required to stand for re-election every year (or election at the next AGM following appointment). The list of candidates, which the Board supports, is set out in the Notice of AGM. The particular skills and experience that each Director contributes to the long-term sustainable success of the Company and the Group may be found on pages 58 and 59. As mentioned in the Chairman's statement, Tim Bond will be retiring as a Director of the Company at the upcoming AGM, having served on the Board for nine years.

Directors' conflicts of interests

The Directors have a statutory duty to avoid conflicts of interest. The Board has in place appropriate procedures to deal with conflicts and potential conflicts, including an annual review, and can confirm that those procedures are operating effectively. Whether any new conflicts are to be declared is also considered at each Board meeting. Each Director has declared all matters that might give rise to a potential conflict of interest and these have been considered and, where necessary, approved by the Board.

Future developments

Details of future developments are disclosed in the Chairman's statement on page 7 and the Chief Executive Officer's review on page 15 in the strategic report.

Regulatory obligations

The Company is subject to continuing obligations applicable to premium listed companies, overseen by the FCA.

Information required to be disclosed in accordance with Listing Rule 9.8.4 is included as referenced below:

Rule	Detail	Where
9.8.4 (1)	Interest capitalised	Note 5, page 128
9.8.4 (7)	Allotment of equity securities	Note 17, page 139
9.8.4 (2-6) (8-14)	N/A	N/A

Under the Alternative Investment Fund Managers Directive (AIFMD) the Company is required to appoint an "Alternative Investment Fund Manager" (AIFM), which must be appropriately regulated by the FCA. The Company has elected to be its own AIFM.

The AIFM is required to provide portfolio management, risk management, administration, accounting and company secretarial services to the Company. All of these functions, barring portfolio management which continues to be delegated to Janus Henderson, are undertaken by the Company. The Company has appointed NatWest Trustee and Depositary Services Limited, as depositary under Article 36 of the AIFMD. A fee is payable for this service, being 0.0225% per annum of the calculated monthly NAV. As part of its duties, the depositary is responsible for custody of the Company's Portfolio assets, and has appointed HSBC Bank plc (which has been the Company's custodian for many years) as sub-custodian.

AIFMs are obliged to publish certain information for investors and prospective investors and that information may be found either in this Annual Report or on the Company's website at https://www.lawdebenture.com/investment-trust/shareholder-information/corporate-governance/the-aifmd.

The AIFMD requires us to report on 'leverage'. This is slightly different from gearing (refer to page 156), leverage being any method of borrowing that increases the Company's exposure,

Directors' report continued

including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its NAV and must be calculated on a 'gross' and a 'commitment' method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other. At 31 December 2023, the leverage calculated under the gross method was 0.98, and under the commitment method was 1.01.

ESG considerations

The Group gives ongoing consideration to ESG factors in both the management of the Portfolio and the IPS business. This is reflected throughout the strategic report on pages 6 to 57.

Our energy and carbon emissions are reported in the ESG section on page 50.

Repurchase and issue of shares

At the 2023 AGM, the Directors were given power to buy back up to 19,274,822 ordinary shares or, if less, the number of shares equal to 14.99% of the Company's issued share capital at that date. During the year, the Company did not repurchase any of its shares for cancellation. This authority will expire at the 2024 AGM. The Company intends to seek shareholder approval to renew its powers to repurchase shares for cancellation up to 14.99% of the Company's issued share capital if circumstances are appropriate, at the 2024 AGM.

The Directors were also given power to allot up to 12,858,454 ordinary shares at the 2023 AGM. From the 2023 AGM to the 26 February 2024 the Company issued a total of 8.3m ordinary shares under its share issuance programme and our SAYE scheme. The authority will expire at the 2024 AGM at which the Company intends to seek shareholder approval to renew its powers to issue shares up to 10% of the Company's share capital in issue at 26 February 2024.

Donations

The Company made a charitable donation of £1,520 (2022: £nil) to Place2Be, a children and young people's mental health charity, and no political donations (2022: £nil).

Share capital and significant shareholdings

The Company's share capital is made up of ordinary shares with a nominal value of 5p each. The voting rights of the shares on a poll are one vote for every share held. There are no restrictions on the transfer of the Company's ordinary shares or voting rights and no shares which carry specific rights with regard to the control of the Company. There are no other classes of share capital and none of the Company's issued shares are held in treasury. As at 31 December 2023, there were 131,191,892 ordinary shares in issue with 131,191,892 voting rights. Note 17 includes details of share capital changes in the year.

As at 31 December 2023, there were no shareholders that had notified the Company of a beneficial interest of 3% or more of the issued share capital. Additionally, no such disclosures had been made to the Company as at 26 February 2024. Share information as required by section 992 of the Companies Act 2006 appears at pages 62 and 139.

Workforce engagement

Our people are key to our IPS business, and we rely on their expertise to provide excellent services to our clients. We have offices in the UK and in other jurisdictions as disclosed on page 159 of this report. During 2023, workforce engagement was conducted through various methods including:

- Employee wellbeing week.
- Quarterly meetings on colleague matters between the Workforce Engagement Director, COO and Head of Human Resources.
- Quarterly eNPS surveys.
- Our annual culture week.
- An employee listening group with our designated Workforce Engagement Director and other events as set out in the Section 172(1) Statement on page 46.

The Board also receives cyclical presentations from our Business and Department Heads at each Board meeting and holds one Board meeting per year in our Manchester office to focus on their operations, the wellbeing of staff based in that region and to track performance.

As set out in the Section 172(1) Statement, Clare Askem is the appointed Workforce Engagement Director. Some of her responsibilities include:

- Being available to employees to discuss their views on working conditions and other relevant work-related matters or concerns.
- Understanding and interpreting the views of the workforce.
- Reporting the views of the workforce to the Executive Leadership team and the Board.
- Agreeing an annual calendar of engagement events with the Group Company Secretary.
- Providing feedback on existing workforce engagement mechanisms.

The Board continues to see significant value in having a Workforce Engagement Director. During the year, the Board reviewed workforce engagement as part of a wider review on stakeholder engagement mechanisms. Further details are disclosed in the Section 172(1) Statement on page 48. Clare continues to work closely with the Group Company Secretary, Human Resources and the Chief Operating Officer to fulfil her role.

Disability statement

We have policies in place to ensure that full and fair consideration is given to applications for employment from disabled persons, where they are able to adequately fulfil the role requirement.

Whilst we endeavour to build our workforce from within, we also recognise the benefit of introducing new talent into our organisation and sometimes need to look externally for strong talent. We search for candidates through a number of different avenues, which allows us access to a more diverse candidate pool. One of our key criteria when selecting our recruiting partners is to ensure our values are aligned. We also actively review recruitment procedures on a regular basis to encourage applications from and the employment of, persons with disabilities.

We are committed to promoting equal opportunities for colleagues with disabilities and we continue to review our policies and practices to ensure that persons with a disability do not encounter obstacles or discrimination throughout the application, training, promotion and career development stages. Wherever possible we will retain the services of a colleague who is or becomes disabled, including retraining and/or redeployment where reasonable and practicable. 3.9% of our colleagues have declared a disability.

Shareholder relations

The Board encourages communication with shareholders on matters of mutual interest throughout the year. The Executive Leadership team has primary responsibility for managing regular and effective communications with analysts and institutional investors on various matters such as operational, financial performance and strategy. The Board and Committee Chairs are also available upon request to meet with shareholders and they ensure that the Board/Committee as a whole have a clear understanding of investors' views, taking these into consideration when making decisions, as appropriate.

The Board recognises the value of the AGM as an opportunity to communicate with shareholders and encourages their participation. Separate resolutions are put to the AGM on each issue. The number of votes lodged for and against each resolution and the number of votes withheld are published immediately after the AGM to the London Stock Exchange and on the Company's website.

In March 2023, the Board was pleased to have been able to engage with shareholders in person during and after its AGM. Shareholders engaged with us on the future of the Pensions business, the effect of Liability-Driven Investing on Law Debenture's defined benefit pension scheme for employees, the investment manager's views on legacy companies within the Portfolio and their ability to remain relevant in the market, how investment in the IPS business was managed given its increasing contribution to the net asset value, the increase in the Corporation's external audit fees and whether the Long-Term Incentive Plan awards had been audited. We also published a video recording of our AGM, in addition to the PowerPoint presentation, on our website for year-round access.

In line with governance recommendations, if 20% or more of the votes cast were against any Board resolution, the Company would announce the actions it intended to take including consultation with shareholders and a summary on the outcome of those discussions. The Board confirms that none of the resolutions put to shareholders at the AGM in 2023 received more than 20% votes against, of the votes cast.

Shareholders are sent a copy of the Annual Report, which includes our Notice of AGM, at least 21 clear days before the AGM. The Company also provides this service to shareholders in nominee companies where the nominee has made appropriate arrangements. Details of the 2024 AGM are set out at pages 160 to 162.

During 2022 the FCA determined that the Company is within scope of the Consumer Duty regulations. The Board therefore commissioned a review of whether any additional actions over and above those under section 172(1) of the Companies Act 2006 were required, to enhance its delivery of good outcomes for retail shareholders.

The General Counsel and Group Company Secretary completed a mapping exercise and gap analysis, and engaged with its distributors, key internal stakeholders, external counsel and the Association of Investment Companies, among others, to identify the actions required to ensure compliance with the Consumer Duty regulations by the July 2023 deadline.

Relevant actions included a review of existing Board authorities and practices, the drafting of a new shareholder engagement policy and target market assessment, a review of existing Group policies, an assessment of the value of the Company's shares by the Board and publication of a revised European MiFID Template on the Company's website. Consumer Duty training was also delivered to the Board and relevant members of staff and updates made to other applicable staff training modules.

The Company's website has a dedicated shareholder information section, which includes all Regulatory News Service announcements, our monthly factsheets about the Portfolio's performance, a financial calendar, previous annual and half-yearly reports and other important shareholder information are available for download.

Other engagement activities undertaken during 2023 may be found on page 46 of the Section 172(1) Statement.

Directors' report continued

Other stakeholder relations

Day-to-day relationships with the Company's key stakeholders are managed by the Executive Leadership team, the General Counsel, the Group Company Secretary and IPS Business Heads and where appropriate, their activities are reported to the Board. The Board, directly or through its Committees, engages or oversees engagement.

The Board is given the opportunity to interact with stakeholders at employee, client and investor focused events held throughout the year. Further details may be found in the Section 172(1) Statement found on page 46.

Investment managers – interests held

Laura Foll held 13,650 shares in the Company as at 31 December 2023 (2022: 13,650). James Henderson did not have a beneficial interest as at 31 December 2023 (2022: nil), although persons connected to him had an interest of 134,000 shares (2022: 134,000 shares). In addition, a charity with which James Henderson has non-beneficial connections owns 117,000 shares (2022: 117,000 shares).

The Company holds no shares in the Janus Henderson Group or their products. It has been notified that funds managed by members of the Janus Henderson Group held 50,951 shares in the Company as at 31 December 2023 (2022: 263,288 shares).

Employee participation/issue of shares

Employees are informed of the financial aspects of the Group's performance through regular all staff calls and periodic management meetings. As with all our shareholders, employees are able to view the Annual Report online or can request physical copy. Bi-annual updates, for all staff, on our financial performance are also held. The Company operates a SAYE scheme in which all UK full-time employees are eligible to participate after completing a minimum service requirement.

Options outstanding under the SAYE scheme as at 31 December 2023 were:

Date of grant	Number of option holders	Shares under option	Exercise price
15 August 2018	2	5,445	606.00p
14 August 2019	11	17,375	592.00p
26 August 2020	17	47,022	539.00p
1 September 2021	25	34,967	778.00p
8 September 2022	19	24,401	781.00p
11 September 2023	35	41,618	775.00p

Employees are invited to participate in our SAYE scheme annually, where they are given the opportunity to save up to £500 each month for a period of five years. After five years, employees may either withdraw their savings and not buy any of the Company's shares or exercise the right to purchase shares at a price that is fixed at the date they entered into the scheme.

Directors' responsibility for financial reporting

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and other applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss for the Group for that period. The Directors are also required to prepare financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- state whether they have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business; and
- prepare a Directors' report, a strategic report and Directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time, the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the financial statements, article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and financial statements, taken as a whole are fair, balanced and

Directors’ report continued

understandable and provides the information necessary for shareholders to assess the Company’s performance, business model and strategy.

Website publication

The Directors are responsible for ensuring the Company’s Annual Report and the financial statements are made available on a website. Financial statements are published on the Group’s website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group’s website is the responsibility of the Directors. The Directors’ responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors’ responsibility statement pursuant to DTR4

The Directors confirm to the best of their knowledge that:

- the financial statements have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group, together with a description of the principal risks and uncertainties that they face.

Auditors

In the case of each Director in office at the date the Directors’ report is approved:

- so far as each Director is aware, there is no relevant audit information of which the Group and Company’s auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company’s auditors are aware of that information.

This report was approved by the Board of Directors on 26 February 2024 and signed on its behalf by

Law Debenture Corporate Services Limited
Company Secretary

Corporate governance report

Corporate governance

The Directors are required to report on how the Company has applied the main and supporting principles in the UK Corporate Governance Code (the Code), and to confirm that it has complied with the Code's provisions or, where this has not been the case, to provide an explanation. This report relates to the Code as published in July 2018, a copy of which may be obtained by visiting www.frc.org.uk. The Financial Reporting Council (FRC) has recognised that the Board structure of investment companies, such as Law Debenture, might affect the relevance of some of the provisions of the Code. The Company has therefore considered the provisions of the Code that are applicable to it as a FTSE 250 listed investment company. This corporate governance statement forms part of the Directors' report and should be read in conjunction with the strategic report on pages 6 to 57.

The Board has concluded that, as demonstrated by the disclosures made throughout the strategic and Directors' reports, the Company has complied with all of the requirements applicable to it under the Code.

In January, the FRC published the 2024 UK Corporate Governance Code, which will apply to listed companies with financial years beginning on or after 1 January 2025 save for provision 29 relating to risk management and internal controls, which will apply on or after 1 January 2026. Management are already in the planning stages of ensuring compliance by the given deadlines and will disclose their progress in the next annual report and accounts.

The Board – role and modus operandi

The names and biographies of the Directors at the date of this report are on pages 58 and 59 of the Annual Report.

The Board is responsible for the overall strategy and management of the Group, setting investment strategy and ensuring that the Company is operating in compliance with statutory and legal obligations. There is a formal schedule of matters specifically reserved for Board decision, published on the Company's website (https://www.lawdebenture.com/investment-trust/shareholder-information/corporate-governance/matters-reserved-for-the-board). Matters connected with strategy and management, structure and capital, financial reporting and control, the Portfolio, contracts, stakeholder engagement and shareholder communication, Board membership and other appointments, remuneration and corporate governance are reserved for the Board.

In discharging its responsibilities, the Board takes account of the Group's purpose, values and culture, aiming to promote enhanced value for shareholders in both capital and income terms. The Board sets a cultural tone that encourages openness, diversity and attention to the needs and views of shareholders and those who transact with us through our IPS business. The Board Chair also ensures that the interests of the Company's institutional and retail shareholders are tabled for discussion, to further the Board's understanding of their views and to garner responses, where appropriate.

The Board operates as a collective decision-making forum. Individual Directors are required to scrutinise reports produced by the Executive Leadership team and are encouraged to debate issues in an open and constructive manner. If one or more Directors cannot support a decision, a vote will be taken and the views of a dissenting Director recorded in the minutes. Where appropriate, the Board Chair also holds meetings with the Non-Executive Directors without the Executive Directors present and vice versa.

Procedures are in place to enable independent professional advice to be taken by individual Directors at the Company's expense. The Company has made qualifying third party indemnity provisions for the benefit of its Directors and directors of its wholly owned subsidiaries, and these remain in force at the date of this report.

The process for the appointment of Directors is set out in the Nomination Committee report on page 70. The Company may amend its Articles of Association by special resolution at a general meeting of its shareholders, at which at least 75% of the votes cast must be in favour of the resolution.

The Board meets regularly throughout the year. The attendance records of the Directors at scheduled Board and Committee meetings during 2023 are set out in the table below. Maarten Slendebroek was appointed to the Board and its Committees on 11 January 2024

	Board	Remuneration	Audit and Risk	Nomination
Number of Meetings	6	4	6	1
Attended by:				
Denis Jackson	6	1*	6*	1*
Trish Houston	6	1*	6*	1*
Robert Hingley	6	4	6*	1
Tim Bond	6	4	6	1
Pars Purewal	6	4	6	1
Claire Finn	6	4	6	1
Clare Askem	6	4	6	1

*Whilst not members of the Board Committees, Denis Jackson and Trish Houston attend meetings by invitation. Similarly, Robert Hingley's attendance at Audit and Risk Committee meetings is by invitation only.

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Corporate governance report continued

DIVISION OF RESPONSIBILITIES	
Board Chair	The Chair is responsible for the leadership and overall effectiveness of the Board and individual directors. He sets the agenda for each meeting with the support of the Group Company Secretary. The Chair manages the meeting timetable, promotes open and effective discussion and challenge at meetings and creates an environment in which all participants feel comfortable to share their views. He is also responsible for ensuring that shareholders' views are understood by the Board as a whole.
Senior Independent Director ('SID')	The SID provides a sounding board for the Chair and, if necessary, acts as an intermediary for the other Non-Executive Directors. The SID is also available for communication with shareholders where normal lines of communication via the Chair, CEO or COO are not successful or where it is considered more appropriate. The SID also leads the annual appraisal of the Chair and an orderly succession process for the Chair, working closely with the Nomination Committee in both cases.
Executive Directors	The Executive Directors are responsible for the leadership and management of the business within the scope of the authorities delegated by the Board. They must exercise those authorities to achieve the strategic objectives set by the Board, implement Board decisions and ensure that the Group complies with all of its regulatory and legal obligations. The Executive Directors are also responsible for communicating the views of the senior management team on business issues to the Non-Executive Directors of the Board.
Non-Executive Directors	The Non-Executive Directors help to set the strategy for the business, offer specialist advice, constructively challenge the Executive Directors and scrutinise the performance of the Executive Directors in relation to the delivery of that strategy and their personal objectives, the implementation of Board decisions and compliance with the Group's regulatory and legal obligations.

The Board – independence

At least half of the Board, excluding the Chair, must be independent Non-Executive Directors (NEDs). The Board can confirm that, as at the date of this report, excluding the Chair, five of the seven other Directors are independent NEDs. In assessing Directors' independence, the Board takes into account their tenure on the Board, whether or not a Director is independent of management and any material business or other relationship that could affect or interfere with the exercise of objective judgement by the Director, or his/her ability to act in the best interests of the Group. The Board is also satisfied that each Director dedicates sufficient time to Law Debenture, and that none of the Directors is 'overboarded' (having five or more listed company roles). When assessing time commitment, the Board takes into account Directors' private company and pro-bono roles. The contribution made by each Director to the Company's and Group's long-term success, is described on pages 58 and 59 of the Annual Report.

The Chair, Robert Hingley, was independent at appointment and continued to be independent throughout the period, in the view of the Board, having no current or previous connections with the Company or any of its subsidiaries.

The Board is satisfied that Robert Hingley's other commitments do not interfere with the discharge of his responsibilities to Law Debenture, and that he dedicates sufficient time to discharge his duties as Chair.

Similarly, the Board is satisfied that Tim Bond, Pars Purewal, Claire Finn, Clare Askem and Maarten Slendebroek were independent at their respective dates of appointment and that the current directors of the Company have remained independent, having no previous connection with the Company or any of its subsidiaries.

Denis Jackson and Trish Houston, as Executive Directors, are not independent.

Tim Bond will remain the Senior Independent Director (SID) until the date of his retirement at the upcoming AGM. Clare Askem will succeed Tim as the SID following his retirement and will be available to shareholders who have concerns that cannot be addressed through the Chair, CEO or COO.

Directors' remuneration

Details of the Directors' remuneration appear in the Directors' Remuneration Report on pages 79 to 98.

Board Committees

The Board has established Nomination, Audit and Risk and Remuneration Committees, to each of which it has delegated certain responsibilities. Each Committee has terms of reference, which are reviewed annually and published on the Company's website (www.lawdebenture.com/investment-trust/corporate-governance). Membership of the Committees is reviewed

Corporate governance report continued

annually. Taking account of the position of the Company as an investment trust, the Board is deliberately kept small and it believes this is in the best interests of shareholders. The Board remains satisfied that its composition and size is sufficient to ensure that the requirements of the business can be met.

The membership of the Board and its Committees are fully compliant with Code stipulations. Reports with respect to each of the Committees may be found on pages 70, 74 and 79.

The Board does not operate a management engagement committee; the duties of such a committee are undertaken directly by the Board.

Accountability and audit, fair balanced and understandable reporting and going concern

The statement of Directors' responsibilities in relation to the financial statements appears on pages 64 and 65. The independent auditors' report appears on pages 100 to 110. The Directors confirm that the Group and Company are a going concern as evidenced by the financial statements, which demonstrate a healthy position, taking into account all known and future anticipated liabilities, and the Group's ability to meet those liabilities. The performance metrics of the Group remain strong. There are no material uncertainties that call into question the Company's ability to continue to be a going concern for at least 12 months from the date of approval of the financial statements. The Directors therefore consider it appropriate to adopt a going concern basis in preparing the financial statements. Refer to the Going Concern Statement on page 117.

The Audit and Risk Committee has concluded, and the Board concurs, that the financial statements present a fair, balanced and understandable assessment of the financial position and prospects of the Company and the Group. The financial statements are reviewed by the Audit and Risk Committee, approved by the Board and signed by the Chair and CEO. In the opinion of the Board, the Annual Report, taken as a whole is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's and Group's position and performance, business model and strategy.

Internal controls and risk management systems

The framework of internal controls underpins the Company's risk management framework, enabling it to operate within the desired risk appetite. The following paragraphs provide a description of the main features of the internal control and risk management systems in relation to the financial reporting process, which fulfil the obligations of the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and the FCA's Disclosure Guidance and Transparency Rules. This section should be read in conjunction with the strategic report, which sets out how the Directors manage or mitigate the principal risks relating to the Group's business.

The Board monitors the effectiveness of internal controls on a continuous basis to ensure that internal control and risk mitigation is incorporated into the day-to-day management of the organisation, both directly through main Board general reviews and by the more specific work carried out by the Audit and Risk Committee. The annual internal audit programme and system of compliance checks have both been developed using a risk-based methodology and an evaluation of the existing process controls. Other mechanisms in place to monitor risk include:

- Board review of the Group's matrix of key risks and controls managed by the Group Risk Manager, reporting to an Executive Risk Committee;
- an internal audit function, reporting directly to the Audit and Risk Committee, which involves business departments and business wide processes (including overseas offices) being subject to audit on a regular basis;
- testing of the FCA regulated business' systems and controls;
- testing of the Company's compliance with its AIFMD obligations;
- review of reports by the depositary and the sub-custodian, including any ISAE 3402 auditor reports and bridging letters provided;
- periodic reports to the Board by the General Counsel about legal and regulatory changes, and the steps that the Board must take to comply; and
- review of the reports produced by the external auditors on their annual audit work.

The Board considers that the above measures constitute the continuing application of the FRC risk guidance and form an important management tool in the monitoring and control of the Group's operational risks.

An important element of the overall controls remains a continuous review of the quality and effectiveness of internal financial controls of the Group. The Board requires that the Group maintains proper accounting records, so that it can rely on the financial information it receives to make appropriate business decisions and also that the Group's assets are safeguarded. This includes having data that allows the Board to consider country and currency exposure and potential impairment of assets (both financial and non-financial).

Key elements of the systems of internal control continue to be:

- regular qualitative self-assessment of the effectiveness of the individual controls maintained in the overall internal financial control framework;

- preparation by management of a comprehensive and detailed budget, involving annual Board approval and comparison at Board level of actual results with budgets and forecasts at every meeting;
- systematic reporting to the Board of matters relating to litigation, insurance, pensions, taxation, accounting, counterparty risk and cash management as well as legal, compliance and company secretarial issues;
- review of internal audit reports by the Executive Risk Committee and the Audit and Risk Committee;
- review of the internal controls of those services, such as investment management, which have been delegated to third parties. This review was conducted during the initial contractual negotiations and on a regular basis, including regular discussions with the senior management and compliance staff of Janus Henderson, and the performance of an on-site independent review of operational controls;
- monitoring by the Board of the investment management process, including the establishment and maintenance of investment guidelines, receiving a report from the investment manager on a quarterly basis, the review of all transactions with the investment manager and regular reconciliations of the records of the Group with those of the depositary and sub-custodian; and
- receipt of frequent and detailed reports about the performance of the IPS business, including the overseas subsidiaries.

The systems of internal financial control are designed to provide reasonable assurance against material misstatement or loss.

By means of the procedures set out above, the Directors have established a robust process for identifying, evaluating and monitoring the effectiveness of the internal control systems for the period. This process has been in place throughout 2023 and is reviewed by the Board on a regular basis.

We have a robust whistleblowing procedure which allows people to raise concerns under the Public Interest Disclosure Act 1998 about possible improprieties in matters of financial reporting or other matters. Any concerns which are raised will be subject to proportionate investigation, with appropriate follow up action as per the policy. There is a clearly defined reporting structure with colleagues having the option to raise any concerns with their line manager, the General Counsel and Head of HR or if those avenues are not appropriate, to the Workforce Engagement Director. If they do not wish to report to any of these persons for any reason, they may report their concerns using our whistleblowing service provided by Safecall, which is available 24 hours a day. Reports using this channel may be made anonymously. Further details on risk management may be found on pages 38 to 41.

Information about share capital

The information that the Company is required to disclose about its share capital can be found in the Directors' report (significant holders) on page 62 and Notice of AGM (total voting rights) on page 160.

This report was approved by the Board of Directors on 26 February 2024 and signed on its behalf by

Law Debenture Corporate Services Limited
Company Secretary

Nomination Committee report

Annual statement by the Chair of the Nomination Committee

I am pleased to present the Company's Nomination Committee report for the year ending 31 December 2023.

Other than me as Chair, the members of the Committee who served during the year were Tim Bond, Pars Purewal, Claire Finn and Clare Askem. Details of Committee meetings and attendance can be found on page 66.

Role and duties

The Committee's role is to keep under review the structure, size and composition of the Board and its Committees, to make recommendations to the Board about adjustments that are deemed necessary and to ensure effective succession planning in accordance with legal and corporate governance requirements.

Key duties

- Identification and nomination of suitable candidates to fill Board vacancies, with particular regard for the need to develop a diverse pipeline to the Board and Executive Leadership levels.
- Succession planning for the Board.
- Making recommendations for the election and re-election of Directors.
- Ensuring that the Board and its Committees are constituted to comply so far as practicable with legal and regulatory requirements and the Code.

The Nomination Committee ensures that the Board has in place arrangements for orderly and transparent appointments to the Board. It is the Board's policy that meetings be chaired by a Director other than the Board Chair, when dealing with the appointment of their successor. There are job descriptions in place for NEDs' roles, and the Board has written terms and conditions for such appointments, which will be made available for inspection at the Company's registered office upon request to the Group Company Secretary, until the conclusion of the 2024 AGM. Particular care is taken to ensure that NEDs are independent, have sufficient time to commit to the duties expected of them and that diversity factors are taken into consideration. No new NED is appointed without first being interviewed by each existing NED and comfort is obtained in relation to their other commitments to ensure they have sufficient time to devote to the role. The Committee considers using open advertising or the services of external search firms to recruit new directors. Any external search firms used are expected to be a signatory to the standard voluntary code of conduct for executive search firms.

All new Directors undergo an induction process, including meetings with the CEO, COO, CFO, General Counsel, each of the Business Heads and the investment manager.

Following a competitive tender process, Teneo (formerly Ridgeway Partners prior to acquisition), a global CEO advisory firm which also provides executive recruitment services, was engaged to assist with the appointment of a new Non-Executive Director. Teneo remains a signatory to the Enhanced Voluntary Code of Conduct for Executive Search Firms. A separate arm of Teneo's business also provides public relations consulting services to the Company.

After almost nine years of service, Tim Bond will be retiring from the Board at the end of the 2024 AGM. Accordingly and following a rigorous selection process against an agreed set of criteria and consideration of Board members' and candidates' independence, time commitment, skills, experience, knowledge and multi-diversity factors, Maarten Slendebroek was appointed on 11 January 2024.

The Committee is also responsible for reviewing and applying the Board's policy on tenure and succession planning for members and the Chair of the Board. I was appointed to the Board in October 2017 and, in line with the policy and the recommendations of the Code, I will stand down after nine years although this period may be extended for a limited time to facilitate an effective handover.

The Board is committed to achieving and maintaining a diverse and inclusive membership to ensure optimal decision-making and to assist in the development and execution of strategy, for the benefit of its shareholders and other key stakeholders. The Board's policies on Diversity and Inclusion and Tenure and Succession Planning both embody this principle, which is considered and applied in the appointment and succession planning processes.

At the date of this report, the Company is compliant with the recommendations under the FTSE Women Leaders and Parker reviews.

Nomination Committee report continued

Principal activities of the Committee

During the year, the Committee's principal activities included:

- Recommending the appointment of a new Non-Executive Director to the Board for approval.
- Reviewing the Board's policies on Diversity and Inclusion and Tenure and Succession Planning.
- Reviewing the Board's short, medium and long-term succession plans.
- Discussing the actions from the external performance evaluation of the Board, its Committees and each of the directors and monitoring progress on actions from the 2022 internal evaluation.
- Reviewing each of the directors' independence and time commitments.
- Reviewing the composition and constitution of the Board and its Committees.
- Considering and recommending the re-election of each of the Directors to the Board, who have subsequently recommended all of them (except Tim Bond who is retiring after nine years' service) for shareholder approval at the forthcoming AGM.

Board evaluation

The recommendations from the 2022 internal Board and Committee performance evaluation have been discharged as set out below, save for the review of the effectiveness of ESG oversight:

RECOMMENDATIONS	ACTIONS
Improve the presentation of forecasts on IPS' financial performance to the Board	Following the modernisation of the Company's finance systems over the past two years, the central finance team improved the presentation of management information to the Board and its Committees, including forecasts on IPS' financial performance and debtor management. Further improvements are expected following the ongoing review of the Company's target operating model, which includes the implementation of a new professional services automation tool. Details are disclosed in the Section 172(1) Statement on page 48.
Appropriately balance increasing regulatory and governance requirements relative to the size of the IPS business	Regulatory and governance requirements are continually monitored by the Board and the Audit and Risk Committee with the support of the General Counsel, Group Company Secretary, Group MLRO, Risk and ESG Manager and other internal and external advisors. The Board is comfortable that it has the right expertise to ensure that a proportionate approach is adopted in light of the size of the business and taking into account the interests of its key stakeholders.
Streamline the criteria for evaluating the Company's investment manager	A formalised list of criteria to facilitate a more in-depth analysis of the investment manager's performance by the Board was introduced following the 2022 internal Board evaluation and was applied for the second consecutive year in December 2023.
Review the effectiveness of ESG oversight and workforce engagement	The Board assessed its workforce engagement practices as part of a wider stakeholder engagement review. Details of this review are disclosed in the Section 172(1) Statement on page 48. The review on ESG oversight has been deferred to 2024. Related disclosures may be found in the ESG report on page 49.

2023 external Board evaluation

During the reporting year, the Directors participated in a comprehensive external Board evaluation process examining all aspects of its performance, conducted by independent external consultant, Clare Chalmers. Clare Chalmers provides no other services to the Company.

A competitive tender process was undertaken prior to deciding on an external evaluation firm and the decision delegated to a panel of the Board, consisting of the Board Chair and a Non-Executive Director. Support and access to any relevant documentation was provided by the Group Company Secretary. The Board Chair was the point of contact for agreeing the scope of the review and for any matters requiring escalation.

Each Director, the Chief Financial Officer, the General Counsel, the Group Company Secretary, the External Audit Partner and the Board's Remuneration Consultant were interviewed on a one-to-one, confidential basis. A cycle of Board and Committee meetings was also observed.

The evaluation focused on (1) Board and Committee composition, including Directors' skills, experience and behaviours, Board dynamics, processes, meeting papers and decision-making mechanisms; (2) Board succession planning; (3) strategy, performance and risk; (4) stakeholder engagement; (5) relationships with Board advisors; and (6) purpose, values and culture.

Nomination Committee report continued

The description of the evaluation process was reviewed by Clare Chalmers prior to its inclusion in the annual report.

The findings of the evaluation were presented to and discussed with the Board in late September 2023. The evaluation concluded that the Non-Executive Directors were interested and engaged, providing strong challenge and scrutiny with a focus on strategic planning, customers and workforce engagement, while Executives were credited with delivering strong performance and setting and embedding the culture. The Board was said to have a good range of skills to cover both the IPS and Portfolio sides of the business.

Key actions arising from the 2023 external evaluation were to:

- review the balance between IPS business and the Portfolio Board discussions;
- review the structure of Board and Committee meetings to create more time for discussion;
- review the succession plans for the Executive Leadership team and their direct reports; and
- improve certainty around non-financial targets for the Executive Directors.

Actions against each of these recommendations are currently underway. The Board will continue to conduct an externally facilitated performance evaluation every three years and internal evaluations in the intervening years.

Based on the outcome of the evaluation and on the basis that they continued to make valuable contributions and exercise judgement and express opinions in an independent manner, the Board on the recommendation of the Nomination Committee has proposed the re-election of all of the Directors (except Tim Bond who is retiring after nine years' service), as set out in the Notice of AGM on pages 160 to 162.

All Directors are submitted for annual re-election, subject to continued satisfactory performance, which is assessed as previously described.

Diversity and inclusion

The Board is committed to achieving the objectives set out in its Diversity and Inclusion Policy, which may be found on our website. Progress against those objectives is set out below.

We are proud of the progress we have made in becoming a more diverse and inclusive Board and workforce, which has resulted in, among other benefits, more independent and diverse thoughts and solutions, greater debate and challenge on pertinent matters and an integrated approach towards continually achieving long-term capital growth in real terms and steadily increasing income for our shareholders.

Whilst we have achieved our diversity targets and those set by the FTSE Women Leaders and Parker Reviews, we will continue to regularly evaluate our culture and composition and make enhancements for the benefit of our shareholders, clients, people and other key stakeholders, as appropriate. We also review our succession plans at least annually to ensure we have the right persons in place to support the Group in achieving its objectives.

OBJECTIVES	PROGRESS
To continue to adopt a formal, rigorous and transparent process, taking into account diversity and inclusion, when considering the appointment of Directors. The Board is committed to using search firms that access talent from wide and diverse pools and whose values and approach in identifying and proposing suitable candidates, are aligned with the Tenure and Succession Planning Policy.	During the year the Board reviewed its Tenure and Succession Planning Policy, to ensure it remained fit for purpose. The policy sets out the procedures for the appointment of new Directors and succession plans for short-term absences in line with governance best practice. The process adopted for the recent appointment of Maarten Slendebroek, is disclosed on page 70.
To achieve and maintain, with respect to gender and ethnic diversity at Board and Committee levels, the recommendations of the FTSE Women Leaders and Parker Reviews, recognising that unexpected changes in Board composition may result in temporary periods when this balance is not achieved.	As at 31 December 2023 the Company satisfied all recommendations of the FTSE Women Leaders and Parker Reviews, namely: • 43% of the Directors on the Board are female and 57% male (at least 40% female representation on the Board required). • 40% of the members on the Remuneration and Nomination Committees are female and 60% male. • There is a 50:50 split between male and female representation on the Audit and Risk Committee. • 66.67% of the Executive Leadership team are female and 33.33% male. • One Director on the Board is from an ethnically diverse background (at least one individual on the Board should be from a minority ethnic background). • The CFO and COO functions of the Company are held by women (at least one of the senior positions on the Board should be held by a woman).

Nomination Committee report continued

OBJECTIVES	PROGRESS
To be kept updated on the Executive Directors' progress in ensuring the proportion of direct reporting roles to the Board and the Executive Management team, held by women and persons from ethnically diverse backgrounds, is compliant with the FTSE Women Leaders and Parker Review recommendations.	The Executive Leadership team presented its annual report on gender and ethnic diversity across the IPS business including analyses of employee positions held by women and gender and ethnicity pay gaps across all levels of the Group. Further details can be found in the ESG section of the strategic report on page 54. The Committee considered the Parker Review's recommendation for FTSE 350 companies to set 2027 ethnicity targets for their senior management teams and is supportive of the initiative. Following consultation with the Parker Review, the Committee has decided to delay setting its target until the 2024 year end, following a review of its leadership structure and associated succession plans. In the interim, a commitment has been made to: • take the recommendation into consideration when reviewing the leadership structure and succession plans for senior management; • give greater focus to ensuring credible applicants from ethnically diverse backgrounds are included in candidate pools being considered for recruitment at the senior leadership level; • continue to review the Group's policies on recruitment, training and career progression to ensure they are non-discriminatory to persons from ethnic minority backgrounds; • increase engagement with staff on firm wide objectives regarding diversity and specifically those on ethnic diversity; and • consider starting or participating in programmes (whether internal or external), which promote the recruitment, training and progression of persons from an ethnic minority background, within Law Debenture.
To continue to facilitate a culture of inclusivity among Board and Committee members and to encourage active contributions from all Directors, recognising that a clear tone and example must be set at Board level.	Following the 2023 external Board evaluation, suggestions were proposed by the external evaluator to further enhance the existing Board dynamic. Further details on the external board evaluation are disclosed on pages 71 and 72. These and other related matters will be continually reviewed.

This report was approved by the Board of Directors on 26 February 2024 and signed on its behalf by

Robert Hingley
Chair, Nomination Committee

Audit and Risk Committee report

Annual statement by the Chair of the Audit and Risk Committee

As I complete my second year as Chair of the Audit and Risk Committee ('the Committee'), I reflect on what has been a year of change at Law Debenture. In the CEO's statement, you will have read about the ongoing investment in the Independent Professional Services ('IPS') business. With any transformation initiative, there is always a degree of risk attached to the delivery and this has been a significant area of focus for the Committee. In particular, we have been active in our oversight of the technology infrastructure project and the design of the target operating model ('TOM'). Given that 20% of our investments are concentrated in the IPS business, the Committee believe that the successful delivery of both these initiatives is critical to managing the concentration risk associated with IPS by supporting the delivery of sustainable growth in IPS and protecting our margins over the middle to long term.

As part of these ongoing transformations, the Head of Internal Audit has undertaken work to provide assurance over the project governance framework in place within the IPS business. Work has also been undertaken to provide assurance over the delivery of the first stage of TOM, with further internal audit work assurance work expected in the early part of 2024 to assess the design of controls.

During 2023, the Committee reviewed the threshold for reporting accounting judgements up to the Committee to ensure this remains appropriate and aligned to the wider risk management framework. In terms of areas of accounting judgment, the most significant continues to be the valuation of the IPS business. Considerable time and attention has been given to determining the appropriate methodology to value the IPS business and ensuring that the relevant macroeconomic factors are considered when making recommendations to the Board.

Given the macroeconomic environment, where we are seeing higher interest rates and low growth within the UK economy, the timely collection and recoverability of our debtors was an area of focus for the Committee. We were supportive of the decision to invest more experienced resource into Credit Control to help manage the risk of debtor write-off. We have been actively monitoring the levels of aged debt within the business throughout the year and we are pleased to report that gross trade receivables at the year-end have reduced (see note 19 on page 145).

During the year, we have closely monitored the developments relating to the Department of Business, Energy and Industrial Strategy's ('BEIS') white paper on audit reform to ensure that the Group is able to meet the requirements in a timely manner. Whilst the formalisation of the proposed changes is on hold, the Financial Reporting Council ('FRC') have announced the outcomes of their review which the Group will adopt in line with the required timeframes. The Committee believe that the work the Group is completing on the TOM will stand us in good stead to implement the attestations regarding the control environment as at the balance sheet date in 2025.

A key area of responsibility for the Committee is the recommendation of the final dividend to shareholders. The Committee has sought to balance the inflationary pressures that our shareholders have faced whilst looking forward at the forecasted dividend income from the Portfolio and IPS business. In line with previous years, we recommended that each of the first three interim dividends be set at a quarter of the total dividend for the previous year, resulting in growth of 5.2% in the level of each interim dividend. As a Group, we remain committed to providing our shareholders with steadily increasing income and, with these factors in mind, we are recommending the final dividend of 9.125 pence per share, resulting in a total dividend of 32.0 pence.

Composition and Meetings

The members of the Committee during the year were myself, as Chair, Tim Bond, Clare Askem and Claire Finn. Robert Hingley, Chair of the Board, is not a member of the Committee, but attends meetings by invitation, along with the Executive Directors. The Committee also extends invitations to the Chief Financial Officer, external auditors, and personnel from the financial, legal, risk and internal audit functions to attend and report to the Committee on relevant matters. The Committee meets at least four times per year. The attendance of the Committee members is shown on page 66.

The Committee believes that it is in the best interests of the Company for the Chair of the Board to attend Committee meetings given his in depth knowledge of the business and to facilitate the communication of all key discussions and decisions between the Committee and the Board. All the members of the Committee are independent Non-Executive Directors. The Board facilitates reviews of the Committee's composition and it considers that, collectively, its members have sufficient recent and relevant financial, audit and sector experience to fully discharge their responsibilities. This year's review of the operation of the Board and its committees was conducted by an external board evaluation firm, the details of which are set out on page 71 of this report.

As part of my duties as Committee Chair, I met regularly with the audit partner of Deloitte LLP and also with the Chief Financial Officer, the Head of Risk and the Head of Internal Audit to discuss matters of significance. In addition, during the year, the Committee met privately with the external auditor to give them an opportunity to raise any issues without management present. We have also met privately with the Internal auditor without Managment present.

Role and Responsibility of the Committee

The main function of the Committee is to ensure the integrity of the Company's financial reporting and the appropriateness of the risk management processes and internal controls. The Committee's authority and duties are defined in its term of reference, which were reviewed during the course of the year, and can be found on our company website. The principal activities carried out during the year were:

Financial reporting

- Monitoring the integrity of the financial statements including the annual and half-yearly reports, preliminary announcements and any other formal statements or announcements relating to the Company's financial performance.
- Reviewing and reporting to the Board on significant financial reporting issues (if any) and judgements, which those statements contain.
- Meetings with the external auditor included discussing the 2022 financial statements and, in the fourth quarter, to plan the 2023 audit. The meetings included discussions on fees, auditor independence, key risks, non-audit services and developments in accounting standards.
- Providing review and challenge where necessary over key areas of judgement, including the assumptions in support of the going concern statement and the Company's long-term viability and risks thereto. As part of our review, we have engaged with the Executive Leadership team to determine the appropriate period over which to assess our viability. Given our proposition as a medium to long term investment, we have taken the decision to increase the period of assessment from three to five years.

Risk management and Internal control

The approach to risk management adopted by the Group is set out in the Principal Risks and Internal Controls section on page 38. Whilst the Board as a whole is responsible for the effectiveness of internal control mechanisms, it is informed by more specific work carried out by the Committee, which includes the initiation and oversight of any investigations that may be necessary to address control weaknesses or breaches identified. Our work in this area was supported by reporting from the Head of Internal Audit on the results of the programme of internal audits completed and their overall assessment of the internal control environment, with reference to the results of their work.

During the year, work was commenced to review all the sources of assurance, which will be mapped against the principal risks, and we expect this work to be completed during the course of 2024 as the TOM is fully embedded. In addition, the Committee take comfort from the internal audit work performed by RSM over the control environment of our IT systems and infrastructure. This work was outsourced so that we brought in the necessary skills and expertise in a complicated and highly specialised area.

In addition to this, the Committee reviews the adequacy and effectiveness of the Group's risk management systems and processes, with the Group Risk Manager providing reports on risk matters at each meeting of the Committee. Principal activities during the year, included:

- Considering the principal risks and controls and general oversight of the Group's internal control systems and procedures, including in the context of reports by the depositary, the Company's obligations as an AIFM and the heads of business and functions with respect to the IPS business.
- Reviewing the adequacy and effectiveness of the risk management and internal controls framework, through engagement with the Executive Leadership team, the Head of Internal Audit and the Risk, MLRO and ESG Manager. The Committee are encouraged by the Executive Leadership team's plans for the TOM and feel that this will support ongoing improvements in our control environment.
- Advising the Board on the Company's overall risk appetite, tolerance and strategy, and the principal and emerging risks the Company is willing to take in order to achieve its long- term strategy and objectives. This included the work completed to review the internal materiality thresholds for reporting to the Committee.
- Reviewing the inherent and emerging risks in the business and the system of internal controls necessary to monitor such risks. This included a review of the Company's Fraud Risk policy and the controls in place to mitigate this risk.
- Reviewing reports from the General Counsel and the Group Risk Manager and other applicable persons on risk and internal control matters and the adequacy and effectiveness of the control functions.
- Review of the External Auditor's Management Letter and the monitoring of the programme of work undertaken by Management to address recommendations made by the auditor.

Audit and Risk Committee report continued

Compliance

- Review of regular reports on compliance matters and keeping under review the adequacy and effectiveness of the Company's and the wider Group's compliance reporting and obligations.
- Review of regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Company's and the wider Group's anti-money laundering systems and controls. This included oversight of the process and outcome of a regulatory review of our money laundering procedures in respect to the Corporate Secretarial Services business. We are pleased that there were no significant concerns raised in this review.
- Review of the Company's and wider Group's procedures, systems and controls for ethical behaviour and the prevention of fraud, including the Fraud Risk Policy. There have been no reported cases of bribery or breaches to our modern slavery policy.
- Review of the arrangements in place for Group staff, contractors and external parties to raise concerns in confidence about possible improprieties in financial reporting or other matters insofar as they may affect the Group (whistleblowing). The Committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action. A question regarding our arrangements was included in a recent staff survey and we feel satisfied that the arrangements we have in place are trusted by our people.

Internal audit

- Monitoring the effectiveness of the Head of Internal Audit's work and overseeing the implementation of any corrective actions. This has been done through regular meetings to discuss progress and there have been no concerns regarding the effectiveness of the function.
- Approving the internal audit programme in the context of the Company's overall risk management system and ensuring it is aligned to the key risks of the business. Once again, the Committee agreed a thematic risk-based internal audit plan for this year which is directly aligned to the Group's principal risks and looks at the Group as a whole.
- Ensuring internal audit has sufficient access to perform its function effectively and in accordance with relevant standards.
- Review of reports from the Head of Internal Audit, considering any major findings from their work and monitoring management's responsiveness to internal audit's findings and recommendations.

External audit

- The Committee recommended to the Board the reappointment of the external auditors.
- The Committee also met the external auditors in order to inform considerations regarding their independence and effectiveness and to discuss the 2023 financial statements and to ensure their presentation is fairly stated.

The Company is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 and the UK Corporate Governance Code. Under these requirements a tender for the external audit must be undertaken no later than 2031. The last tender took place in 2021.

External auditors – assessing effectiveness

One of the principal functions of the Committee is to monitor the independence and objectivity of the external auditors, their performance and effectiveness. The Committee achieves this by an annual formal meeting with the external audit partner to plan that year's audit. Part of that process requires the external auditor to give the Committee a written assessment of how the external audit team identifies and manages the threats to its independence, along with the description of the safeguards that it has in place to avoid such threats. This vital part of the external audit process also enables the Committee to examine in detail the scope of the external audit, ensuring that the external auditor's objectives meet the Committee's own expectations, along with key audit and accounting matters to be considered that year. At the conclusion of each external audit, the Committee receives a presentation from the external audit partner on their principal findings.

This provides the opportunity for robust challenge, particularly in areas where management's judgement has been required. The Committee also gives the external auditors an opportunity, without the Executive Leadership team present, to comment on the quality and standard of the Finance function as well as the Executive Leadership team's support of the external audit. Similarly, the Committee seeks the views of the Executive Leadership team on the effectiveness and performance of the external audit team. The auditors made a number of helpful observations and comments which have been considered and incorporated in the design of the internal controls and development of the TOM.

Non-audit services

Non-audit services provided by the external auditor are reviewed by the Committee to ensure that independence is maintained. Non-audit fees are shown at note 3 to the accounts. The Committee's policy is that non-audit work should be limited to those matters where the external auditor is most appropriately placed to carry out the work unless there is a conflict of interest. Consequently, fees for non-audit services, which relate to assurance services such as an agreed upon procedures audit, have historically been low and in the year under review were £21,825 (2022: £65,000).

Audit and Risk Committee report continued

Significant financial issues relating to the 2023 accounts

The UK Corporate Governance Code requires the Committee to describe any significant issues considered in relation to the 2023 financial statements and how those issues were addressed.

The significant issues and judgements considered by the Committee include the valuation of IPS, oversight of the Corporate Secretarial Services impairment review, the existence and valuation of investments, discussions around the control environment and the accounting for the Pension Defined Benefit Scheme.

No new significant issues arose during the course of the external audit. There continued to be a focus on embedding the improved Finance operations and we have continued to make investments in this area to support the strategy for long term growth. We are pleased with the progress made and the improved control environment.

The Committee is satisfied that the judgements made by management are reasonable and that appropriate disclosures have been included in the accounts. Taken in its entirety, the Committee was able to conclude and report to the Board that the financial statements themselves and the Annual Report as a whole are fair, balanced and understandable and provide the necessary information for shareholders to assess the Company and Group's position and performance, business model and strategy.

This report was approved by the Board of Directors on 26 February 2024 and signed on its behalf by

Pars Purewal
Chair, Audit and Risk Committee

Directors' remuneration report

PART 1: COMMITTEE CHAIR'S STATEMENT

Dear Shareholder

On behalf of the Remuneration Committee (the Committee), I am pleased to present the Director's Remuneration Report for 2023 (the Report).

The Report is in four sections:

- Part 1: Committee Chair's Statement
- Part 2: Remuneration Committee Responsibilities
- Part 3: Remuneration Policy Table and Implementation in 2023 and 2024
- Part 4: Annual Report on Remuneration for 2023

The sections are set out in accordance with the UK Directors' Remuneration Report Regulations 2013, as amended in 2018 and 2019.

Shareholder support

During 2022, we conducted a thorough review of the Remuneration Policy, and consulted major shareholders and voting agencies on some proposed amendments, in preparation for the triennial vote at the AGM in 2023.

Shareholders who responded were generally supportive of the proposed changes, and made several helpful and constructive suggestions which were taken into consideration by the Committee and included in the policy proposed in last year's remuneration report. The Committee is pleased to report that, at the 2023 AGM, 95.76% of shareholders voted in favour of the proposed policy, which has been implemented in respect of 2023 and will be in place until the end of December 2025. No changes to the policy are being proposed at the 2024 AGM.

Restraint in executive director remuneration

The Committee seeks to ensure that a balance is struck between a restrained approach to Executive Director remuneration and ensuring that our CEO and COO are appropriately rewarded for their roles. We reported in 2022, that compared to a benchmark of the FTSE SmallCap, the current CEO base salary and the variable remuneration for the CEO and COO roles at Law Debenture were below market levels. We detailed in the policy the plan to address the CEO base salary position and see no reason to deviate from the proposal that was approved at the 2023 AGM.

The Remuneration Policy approved in 2023 included higher maximum annual bonus opportunity (125% of salary increased from 100% previously). However, this was accompanied by an increase in the weight on financial metrics to 60% from 50% previously, and a more demanding profit growth range (5% at threshold and 12% at stretch, compared with 4% and 9% previously). The approved policy also included a higher maximum LTIP grant (150% of salary compared with 100% previously), accompanied by a more demanding 3-year CAGR range of 4% to 14%, compared with 4% to 10% previously, and a reduction in the vesting percentage at threshold to 20% of maximum (compared with 25% previously).

The pension allowance for Executive Directors was also reduced to 9% from 1 January 2023 (from 12% previously), which is below the level applied to employees with the same length of service as the Executive Directors.

Annual performance and bonus outcomes for 2023

As reflected in both the Board Chair's and the CEO's statements, 2023 presented a set of ongoing challenges for the organisation to navigate but the Executive Directors have continued to work hard to protect the interests of our shareholders and support our objective as a business of producing long-term capital growth and steadily increasing income.

From an economic and operational perspective, 2023 saw ongoing inflationary pressures, with rising interest rates creating a lack of certainty in some of our key markets. Towards the end of 2023, some of those inflationary pressures had reduced and the competition for talent has eased slightly. Going into 2024, our objective is to provide security for our people through these uncertain times, whilst protecting the interests of our shareholders.

The Executive Leadership team aims to foster an environment which both promotes growth of the Independent Professional Services (IPS) business and a strong corporate culture. The Committee would like to see this further translated into the

Directors' remuneration report continued

organisation's employee net promoter score (eNPS) and this will be an area of focus in the forthcoming year.

2023 was another year of growth for our IPS business, with revenue growth of 11.8% and an increase in profit before tax of 10.5%. This builds on the momentum of last year and is a positive reflection of the efforts of our staff and the success of our Senior Leadership team. Please refer to the Board Chair's statement on pages 6 and 7 for further overview of the financial and operational highlights for 2023. Delivery of sustainable growth is a key metric for the success of the business. With that in mind, the Committee was particularly pleased with the work conducted on the five-year strategy, led by the Executive Directors and the wider Senior Leadership team, as we feel this is critical to the long-term success of IPS.

The Executive Leadership team are driving a culture of continuous operational improvement. During the year, this has been underpinned by the enhancements made to the IT infrastructure and data protection strategy.

Towards the end of the year, the Committee were encouraged to see the development of a target operating model (TOM) to underpin the strategic growth plans. This presents the business with some solid opportunities to drive further efficiencies in operational processes, allowing us to scale the business in a sustainable manner. The Committee would like to see the successful execution of this over the next 12 to 18 months to ensure we both deliver the operational enhancements required to support a growing business and meet the requirements announced by the Financial Reporting Council (FRC) regarding controls assurance.

The Committee evaluated the performance of the Executive Directors in relation to the financial and non-financial metrics set out on page 92 of this report. Before approving the performance outcome, the Committee considered whether there were any wider performance factors that might require a downward discretionary adjustment. These included:

- the need to maintain a fair balance between the interests of different stakeholders, including shareholders, employees and Executive Directors; and
- the desire to encourage and reward the behaviours that reflect our purpose, values and culture.

After consideration, the Committee decided that these outcomes were appropriate and consistent for the year and no discretionary adjustment was required.

Based on this assessment of performance, the Committee determined that 75.7% of the maximum annual bonus should be awarded to Executive Directors for 2023. In accordance with the Policy, fifty percent of the portion of the bonus above £100,000 is deferred into shares for three years.

The performance criteria and outcomes are fully explained in the Report on page 92. The Committee has continued to enhance the level of detail and clarity of information in the Report about the non-financial performance criteria, and the Committee's assessment of this part of the scorecard.

Long-term performance, LTIP outcomes for 2021-23 and 2023 LTIP grant

It has been a successful period for the IPS business. Over the period, revenues in the business have grown from £34.5m at the end of 2020 to £50.5m at the end of 2023. There has been significant investment into IPS over the period to protect the long-term future of the business, but this has been done in a controlled manner, which has resulted in growth in profit before tax (PBT), in line with our stated objective of mid to high single digit growth. During the 3 years, IPS PBT has grown 30%, with a compound annual growth rate ('CAGR') of 9.2%.

Based on this, the total metric-driven outcome for the 2021-23 LTIP cycle was 90.0% of maximum. Before approving the vesting outcome, the Committee considered whether there were any wider performance factors that might require a downward discretionary adjustment. These included:

- the need to maintain a fair balance between the interests of different stakeholders, including shareholders, employees, and Executive Directors; and
- the desire to encourage and reward the behaviours that reflect our purpose, values, and culture.

After consideration, the Committee decided that these outcomes were appropriate and consistent for the period and no discretionary adjustment was required.

The resulting vested shares are subject to a two-year, post-vesting holding period, in accordance with the Policy.

LTIP grants of 150% of base salary were made to the Executive Directors in 2023, in accordance with the approved policy. The performance condition for vesting is IPS PBT growth over the 3-year performance period, with a range of 4% CAGR at threshold to 14% CAGR at maximum, which is more demanding than the range used for previous awards. Also, the vesting percentage at threshold performance is 20% of maximum, compared with 25% previously.

The Notice of AGM for 2024 includes a resolution to amend the LTIP rules to permit additional shares to accrue on the vested awards to the value of dividends paid to shareholders ('dividend equivalents') up to the end of the mandatory 2-year post-vesting holding period. This creates closer alignment between the executives and shareholders and brings the plan into line with normally accepted best practice.

Base salaries

Base salary increases in 2024 for employees at Law Debenture averaged 5.6%, with the largest percentages going to individuals in lower-paid roles, and where there is need for significant market re-alignment or to recognise a promotion or change in role.

As previously communicated by the Committee, extensive work was done in 2022 to benchmark the salaries of the CEO and COO. At the time, the CEO's base salary fell well below CEO norms, not only in the FTSE 250, but also the FTSE Small Cap.

Directors' remuneration report continued

The Committee felt that the CEO's salary had fallen so far out of line with the market that it was not at a fair level, either relative to others in less senior roles in the Company or relative to other CEOs in the market. The situation was not consistent with the Company's values, and did not support motivation, retention and, when necessary, recruitment of talent. The salary was also becoming increasingly out-of-line each year.

The Committee therefore set out plans to re-position the CEO's base salary in stages over the three-year policy period, subject to continued good performance in role. During 2023, the CEO's salary was increased to £354k (which comprised a 5% general increase, below the average for LDC employees, and 3.9% towards repositioning the salary relative to the market). The Committee will now deliver stage 2 and increase the CEO's salary to £400k (a 13% increase). The Committee plans to deliver a further increase next year to £450k to continue the journey to alignment with the FTSE SmallCap CEOs.

Trish Houston's (COO) base salary has increased by 1.2% from £290,000 to £293,500 for 2024; this is below the average percentage increase for LDC employees of 5.6%.

Board Chair fee and NED fees for 2024

The Committee reviewed the Board Chair fee of £110,000 and concluded that this current fee level does not adequately recognise the role's time commitment and responsibilities. The role includes not only overseeing the strategy, management and performance of the Portfolio, but also exercising governance oversight of the IPS business within LDC. The Committee therefore increased the Board Chair fee to £130,000, to go some way towards recognising the breadth of responsibility and time requirements of the role. The remuneration for the other Committee Chairs and NED roles will not be increased.

Wider workforce considerations and consultation with colleagues

The responsibility for determining the reward practices on a firm-wide basis lies with the Committee.

The Committee receives regular updates on overall pay and conditions, including changes in base pay and the incentive schemes in operation, pay ratio and diversity pay data. The Committee also has oversight of the all-employee share plan which Executive Directors and all other employees can participate in on the same terms and conditions.

As in previous years, the Committee has oversight of overall remuneration for employees across LDC. The average salary increase for our staff in 2024 will be 5.6%. LDC is committed to paying all staff at or above the Real Living Wage. People are key to the long-term success of our business, particularly in a competitive marketplace for attracting and retaining talent. This year, we have focused on ensuring that all of our staff are rewarded appropriately for their contribution and that our salaries are in line with those on offer in the market. Those on lower salaries have generally been granted larger percentage increases in salaries than more senior colleagues.

One of our Committee members, Clare Askem, is also the Non-Executive Director with responsibility for leading Workforce Engagement. Clare conducts meetings with employee panels, which include a cross-section of colleagues. These provide an opportunity for colleagues to raise any issues directly with a Non-Executive Board Director, including asking any questions about remuneration policy or practice.

In addition, the Remuneration Committee seeks feedback from the Senior Leadership team which is taken into consideration when determining remuneration outcomes for Executive Directors, objective setting, and strategic planning.

UK Corporate Governance Code

The Committee regularly monitors how remuneration Policy and practice meets the requirements of the UK Corporate Governance Code.

In reviewing the Policy, the Committee has considered the six principles set out in Provision 40, of the UK Corporate Governance Code: clarity, simplicity, predictability, alignment to culture, proportionality, and management of risk. The Policy section of this report provides further information on how we have applied these principles.

Total Shareholder Return

The Company has sustained consistent levels of return to shareholders. £1,000 invested in LDC a decade ago was worth £2,202 at the end of 2023, which is more than 1.3 times the rate of return for the FTSE Actuaries All-Share Index.

Conclusion

The remuneration outcomes for 2023 reflect good performance during the year.

The Committee encourages you to vote for the Directors' Remuneration Report for 2023. We also welcome any feedback you may have during the year.

By order of the Board

Claire Finn
Chair, Remuneration Committee
On behalf of the Remuneration Committee

26 February 2024

Directors' remuneration report continued

PART 2: REMUNERATION COMMITTEE RESPONSIBILITIES

Remuneration Committee

REMUNERATION COMMITTEE MEMBERSHIP AND ACTIVITIES DURING 2023			
Members	The members of the Committee who served during the year were:	C. Finn (Chair) R. Hingley T. Bond P. Purewal C. Askem	Details of Committee meetings and attendance can be found on page 66.
Key activities of the Committee during the year included:	• Implementing the Remuneration Policy following the triennial review and shareholder engagement in 2022; • Preparing the 2023 Directors' Remuneration Report; • Determining 2023 annual bonus outcomes and payments for the Executive Directors and approving outcomes for the Senior Managers (including the Company Secretary); • Setting performance objectives, annual bonus measures and targets for 2024; • Reviewing the operation of the annual bonus process; • Benchmarking pay for the Executive Directors and Board Chair; • Determining the Board Chair's fees; • Determining performance conditions for the grant of LTIP awards in 2023; • Determining LTIP awards to vest in 2023; • Reviewing the LTIP Rules, following the triennial review of the Remuneration Policy; • Reviewing the Remuneration Committee Terms of Reference; • Reviewing the Gender and Ethnicity Pay Gap report; and • Reviewing the remuneration consultant's, Alvarez & Marsal's, performance and fees		
Support provided to the Committee	Alvarez & Marsal was appointed by the Committee as independent adviser following a formal selection process in 2022. Alvarez & Marsal is a member of the Remuneration Consultants Group and voluntarily operates under its Code of Conduct in its dealings with the Committee. Alvarez & Marsal's fees for the provision of independent advice to the Committee during the year amounted to £85,786. Other than in relation to advice on remuneration, Alvarez & Marsal provides no other support to the Company or wider Group. The Committee is satisfied that Alvarez & Marsal does not have connections with the Group that may impair their objectivity and independence. During the year, the Committee also took advice from the CEO and COO, whose attendance at Committee meetings was by invitation from the Chair, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of the Senior Management team and the wider workforce. No Director participated in discussions that related directly to their own remuneration.		
Key responsibilities of the Committee	The Committee's terms of reference is published on the Company's website (https://www.lawdebenture. com/investment-trust/shareholder-information/corporate-governance). The key responsibilities of the Committee are to: • undertake a triennial review of the Remuneration Policy for the Executive Directors; • determine the Remuneration Policy for Executive Directors and Senior Managers (including the Company Secretary) in compliance with legal and governance requirements and in the context of pay conditions across the workforce, engaging with shareholders thereon; • determine the individual remuneration packages for Executive Directors and Senior Managers; • approve the remuneration package of the Board Chair; • consider the design of, determine targets for and review outcomes for the annual bonus plan; • determine the design of, quantum and performance conditions for long-term incentive plans; • review workforce remuneration and related policies across the Company as a whole; • review pension arrangements, service contracts and termination payments for Executive Directors; and • approve the Annual Remuneration Report, ensuring compliance with legal and governance requirements.		

Directors' remuneration report continued

PART 3: REMUNERATION POLICY TABLE AND IMPLEMENTATION IN 2023 AND 2024

SALARY AND BENEFITS	
Purpose	To provide an appropriate level of salary and competitive benefits package to attract and retain individuals of the required calibre to successfully deliver the business strategy.
Operation and opportunity	Salary increase percentages for Executive Directors and Senior Managers are determined at the discretion of the Committee but will normally not be higher than those of the wider workforce. Increases may be made above this level in certain circumstances, including (but not limited to): • An increase in scale, scope or responsibilities of the role; • To ensure salaries are market competitive; and • Where individuals have been recruited or promoted with salaries below the targeted policy level initially and have become more established in their role. Benefits may include (but are not limited to) private medical insurance, life insurance cover, disability income plan, season ticket loans and professional subscriptions. Other benefits may be introduced from time to time to ensure the benefits package is competitive and reflects the circumstances of the individual Director, for example relocation allowances. The Committee may award non- pensionable cash payments in lieu of one or more of these benefits. Benefits may vary by role and individual circumstance and are reviewed periodically.
Performance framework	None
Outcomes for 2023	Denis Jackson's annual salary was £354k. He also opted to participate in the Company's health care plan. Trish Houston's annual salary was £290k. She also opted to participate in the Company's health care plan.
Implementation in 2024	As set out in the Policy, the 2023 base salary for the CEO (£354k) remains substantially out of line with market norms. As approved in the Policy, the CEO salary is being re-positioned in stages over three years, subject to continued good performance in role: 2023: £354,000 2024: £400,000 2025: £450,000 His benefits are unchanged in 2024. Trish Houston's salary will be increased by 1.2% to £293,500. This increase is below that of the wider workforce. Her benefits are unchanged in 2024.
PENSION	
Purpose	To provide funding for retirement at market competitive levels.
Operation and opportunity	Executive Directors may receive pension contributions to a personal Pension scheme and/or cash allowances in lieu of contributions. Executive Directors (including current incumbents and new Directors) to receive a contribution of 9% of base salary in line with the contribution for the majority of the workforce.
Performance framework	None
Outcomes for 2023	Denis Jackson received the cash allowance in lieu of contributions equivalent of 9% of salary. Trish Houston received a cash allowance in lieu of part of her pension contributions, the remainder was received in pension contributions.
Implementation in 2024	Denis Jackson's pension contribution is unchanged in 2024. Trish Houston's pension contribution is unchanged in 2024.

Directors' remuneration report continued

ANNUAL BONUS	
Purpose	To incentivise and reward the achievement of annual business objectives to enable successful implementation of the Group strategy, and to align the interests of Executive Directors with shareholders and support retention.
Operation and opportunity	Financial and non-financial objectives, targets and metrics are set at the start of the year. Maximum individual annual bonus opportunity is 125% of base salary. 60% of maximum (equivalent to 75% of salary) is payable for financial performance. 40% of maximum (equivalent to 50% of salary) is payable for non-financial performance. Half of any bonus earned above £100,000 will be deferred in shares for three years. Dividend equivalents may accrue on deferred bonus awards and be paid on those shares which vest. The Plan contains malus and clawback provisions (see below for details). The total aggregate annual bonus payment for Executive Directors is capped at 25% of the general bonus pool for employees.
Performance framework	Performance versus financial and non-financial objectives is assessed at the end of each year to determine the award. The financial component of the bonus is calculated on a formulaic basis. Threshold and stretch financial performance levels of 5% to 12% annual growth in profits are applied, with a pay-out of 20% of maximum at minimum threshold performance rising to 100% of maximum at stretch performance, calculated on a straight- line basis. The Committee assesses performance against strategic objectives and associated targets and metrics to determine the non-financial component of the bonus to be awarded. The Committee has discretion to set suitable metrics and targets, and to adjust the formulaic bonus outcome to reflect underlying Company performance. Any adjustments or discretion applied by the Committee will be fully explained in the following year's Remuneration Report.
Outcomes for 2023	Denis Jackson has been awarded a 94.6% of base salary bonus, out of a maximum 125% of base salary. The basis for award is explained on pages 91 to 92. Trish Houston has been awarded a 94.6% of base salary bonus, out of a maximum 125% of base salary. The basis for award is explained on pages 91 to 92.
Implementation in 2024	The maximum individual annual bonus opportunity continues to be 125% of base salary for Denis Jackson. The maximum individual annual bonus opportunity continues to be 125% of base salary for Trish Houston.
LTIP	
Purpose	To drive sustained long-term performance that supports the creation of shareholder value, and to encourage and facilitate substantial long-term share ownership.
Operation and opportunity	An award of conditional shares or nil cost-options may be granted annually. Awards vest after three years, subject to performance and continued employment. Following vesting, an additional two-year holding period will apply (net of tax), such that shares are not released until five years from grant. Award levels and performance conditions are reviewed in advance of each grant to ensure they remain appropriate. Dividend equivalents may accrue on shares held under the Plan and be paid on those shares which vest. These will be delivered in shares in line with the Investment Association Guidelines.
Performance framework	The award is currently based on financial measures, normally profit-based measures linked to the IPS business. The Committee has the discretion to set suitable metrics and targets for each grant. The higher maximum award size in this Policy of 150%, was accompanied by a reduction in the vesting percentage at threshold performance of 20%, and by more demanding performance requirements. The Committee has discretion to adjust the formulaic vesting outcome to reflect underlying Company performance. Any adjustments or discretion applied by the Committee will be fully explained in the following year's Remuneration Report.

Directors' remuneration report continued

LTIP continued	
Outcomes for 2023	The Committee uses growth in IPS PBT for both existing and future LTIP awards as the metric for determining the level of vesting over the relevant performance period. In the event that an acquisition is made for IPS, an appropriate adjustment to starting PBT will be made so as to ensure a like-for-like comparison. Denis Jackson was awarded an LTIP in 2021 which vests in March 2024. Based on the IPS PBT CAGR over the 3 year period of 9.2%, relative to threshold to stretch performance range of 4% to 10% CAGR, Denis Jackson will receive 90% of the maximum of award. Trish Houston was awarded an LTIP in 2021 which vests in March 2024. Based on the IPS PBT CAGR over the 3 year period of 9.2%, relative to threshold to stretch performance range of 4% to 10% CAGR, Trish Houston will receive 90.0% of the maximum of award. The Executive Directors were each granted LTIP awards in 2023 of 150% of base salary, and will be granted 2024 awards, also of this percentage of base salary. The IPS Profit before Tax Annual Growth percentages at threshold and stretch for the 2023 and 2024 grants are 4% and 14%, respectively, and the percentage vesting at threshold performance was reduced to 20% with effect from the 2023 grants (from 25% previously).
Implementation in 2024	The IPS Profit before Tax Annual Growth percentages at threshold and stretch for the 2024 grant are 4% and 14%, respectively. Denis Jackson will be awarded an LTIP of up to 150%, subject to meeting the performance conditions. Trish Houston will be awarded an LTIP of up to 150%, subject to meeting the performance conditions.
ALL EMPLOYEE PLANS	
Purpose	To encourage share ownership throughout the workforce.
Operation and opportunity	The Executive Directors are eligible to participate in an HMRC-approved Save As You Earn Share Save Plan (SAYE) and/or Share Incentive Plan (SIP) on the same basis as all other eligible UK employees. The Committee intends to maintain and operate these schemes in accordance with scheme rules and HMRC Regulations. The prevailing HMRC approved limits apply.
Performance framework	None
SHAREHOLDING REQUIREMENTS	
Purpose	To provide alignment between the interests of the Executive Directors and our other shareholders.
Operation and opportunity	The Executive Directors are required to build and maintain a minimum shareholding of two times base salary. Executive Directors are required to retain 50% of the post-tax number of vested shares from the Company incentive plans until the minimum shareholding requirement is met and maintained. On cessation of employment, Executive Directors are required to retain their minimum shareholding requirement immediately prior to departure for two years. Where their actual shareholding at departure is below the minimum shareholding requirement, the Executive Directors' actual shareholding is required to be retained on the same terms and for the same periods. The Company has established a process for monitoring and enforcement of in-role and post-cessation shareholding requirements.
Performance framework	None.
Outcomes for 2023	Denis Jackson held 129,074 shares through his own account, deferred bonus, LTIP vested awards, SAYE and the SIP against a target of 88,390 as at 31 December 2023. Trish Houston held 22,973 shares on her own account, deferred bonus, SAYE and the SIP against a target of 72,410 as at 31 December 2023.
Implementation in 2024	No changes to the policy.

Directors' remuneration report continued

Consideration of shareholder views

The Remuneration Committee is committed to shareholder dialogue and engages with shareholders as appropriate to address any remuneration issues that arise in relation to the Executive Directors. Shareholders are given the opportunity to engage with decisions in relation to Executive Director pay at the AGM. The Chair of the Remuneration Committee welcomes the opportunity to hold individual meetings with shareholders, if requested, as outlined in the Directors' Report on pages 46 to 47.

Any feedback provided is taken into account when developing Executive remuneration arrangements, in addition to guidelines of investor bodies. The Committee monitors trends and developments in corporate governance and market practice to ensure the structure of Executive remuneration remains appropriate and will undertake a shareholder consultation in advance of any material changes to the Remuneration Policy, as we did for the Policy approved at the 2023 AGM.

Minor amendments

The Committee may make minor amendments to the Policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Differences in remuneration policy for Executive Directors compared with other employees

In determining the remuneration arrangements for Executive Directors, the Committee considers pay and conditions of other employees across the business and aims to ensure a consistent approach. To facilitate this, the Committee receives information on wider workforce remuneration, ensuring a good understanding of the structure and application of the reward policies throughout the Group.

One of the Non-Executive Directors, Clare Askem, has responsibility for leading engagement with the workforce, including on remuneration matters. Various methods of communication (including presentations, email correspondence and availability for face-to-face meetings) may be utilised for this engagement.

The Company's approach to annual salary reviews is consistent across the Group, with consideration given to the level of experience, responsibility, individual performance and salary levels in comparable companies. Pension and principal benefits are also provided to all employees. All employees are eligible to participate in an annual bonus scheme with business area-specific metrics and individual performance taken into account where appropriate.

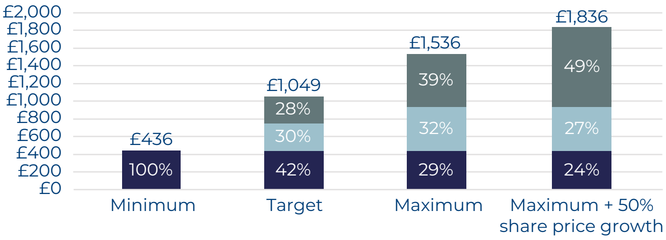
Senior Managers may be eligible to participate in the LTIP with annual awards up to 100% of base salary. Performance conditions are consistent for all participants, while award sizes vary by level. Specific cash incentives are also in place to motivate, reward and retain staff below Board level.

When determining incentive outcomes, the Remuneration Committee takes account of the Executive Directors' oversight of the Portfolio, as well as the performance of the IPS business. For all other employees, performance is primarily based on the IPS business. All UK employees are eligible to participate in the Company's SAYE and SIP schemes on the same terms.

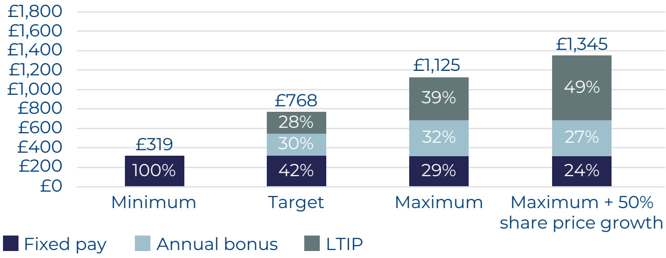
Directors’ remuneration report continued

Illustration of total remuneration opportunity for 2024

Denis Jackson (CEO)
Remuneration (£000s)



Trish Houston (COO)
Remuneration (£000s)



ELEMENT	ASSUMPTIONS
Total fixed pay	**Base salary**: CEO £400,000 COO £293,500
	Pension: 9% of salary or cash equivalent.
	Benefits: As disclosed in single figure table on page 94.
Annual bonus	Minimum: No payout. On-target: 50% of maximum. Maximum: 100% of maximum (125% of salary).
LTIP	Minimum: No vesting. On-target: 50% of maximum. Maximum: 100% of maximum (150% of salary).
Share price growth	Calculated based on the impact of 50% share price appreciation on LTIP.

Policy for Board Chair and Non-Executive Directors

The Non-Executive Directors, including the Board Chair, do not have service contracts and are appointed for an indefinite term. Non-Executive Directors are not entitled to compensation on termination of their Directorship, no matter what the reason for termination. The Directors are subject to annual re-election at the AGM. Non-Executive Directors’ letters of appointment are available to view at the Company’s registered office.

Non-Executive Directors are not eligible to join the Company’s pension scheme or participate in any bonus scheme or share incentive plans. Any reasonable expenses that they incur in the furtherance of their duties are reimbursed by the Company (including any tax liability thereon).

PURPOSE AND LINK TO STRATEGY	OPERATION	FEE LEVELS
To attract and retain Non-Executive Directors of the required calibre by offering market competitive fees.	The Board Chair is paid a single annual all-inclusive fee for all Board responsibilities. Non-Executive Directors receive a base annual Board fee. Additional fees may be payable for additional Board responsibilities such as Chairship of a sub-committee of the Board or the role of ‘Employee Engagement Designated NED’. The Board Chair’s fee is determined by the Committee (excluding the Board Chair), and fees for Non-Executive Directors are determined by the Board (excluding the respective Non-Executive Directors). Fees are reviewed periodically, considering time commitment, scope and responsibilities, and appropriate market data. Expenses incurred in the performance of non-executive duties for the Company may be reimbursed or paid for directly by the Company, including any tax due thereon.	Fee levels are disclosed in the Directors’ Remuneration Report and reviewed periodically. Any fee increases may take into account, material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil the role. The Board may make appropriate adjustments to fee levels to ensure they remain market competitive and fair to the Director. The Board may, in exceptional circumstances, award additional fees to recognise significant additional responsibilities or time commitment required of individuals. The maximum annual aggregate fee for all Non-Executive Directors will be within any limits set out in the Company’s Articles of Association.

Directors' remuneration report continued

External appointments

It is the Board's policy to allow the Executive Directors to take up one non-executive position on the board of another company, subject to the prior approval of the Board. Any fee earned in relation to outside appointments is retained by the Executive Director. During 2023, there were no external appointments held by the Executive Directors.

How do we safeguard against payments for failure?

SAFEGUARDING REQUIREMENTS	
Performance based pay	A significant portion of remuneration varies with performance – where performance targets are not achieved, lower or no payments will be made under the plans.
Discretion	The Committee will operate all incentive plans according to the rules and discretions contained therein to ensure that the implementation of the Remuneration Policy is fair, both to the individual Director and to the shareholders. The discretions cover aspects such as (but not limited to): • selection of participants; • timing of grant and vesting of awards; • size of awards (subject to the Policy limits); • choice of measures, weightings and targets; • determining level of payout or vesting based on an assessment of performance; • settlement of awards in cash or shares; • treatment of awards on termination of employment and change of control; • adjustment of awards in certain circumstances, e.g. changes in capital structure, demerger, special dividend, distribution or any other corporate event which may affect the current or future value of an award; • adjustments to take account of windfall gains on LTIP awards; • adjustment of performance conditions in exceptional circumstances provided the new targets are fair and reasonable and neither materially more or less challenging, in the context of exceptional circumstances, than the original targets; and • application of malus and/or clawback. Any such use of discretion will be fully disclosed in the subsequent annual report and may, as appropriate, be the subject of consultation with the Company's shareholders.
Malus and Clawback	Malus is the adjustment of deferred annual bonus awards or unvested LTIP awards, because of the occurrence of one or more unforeseen circumstances. The adjustment may result in the value being reduced to nil. Clawback is the recovery of cash payments made under the annual bonus, deferred annual bonus award or vested LTIP awards as a result of the occurrence of one or more circumstances listed. Clawback may apply to all or part of a participant's payment or award and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses. The circumstances in which malus and clawback could apply are as follows: • gross misconduct; • misstatement of the financial results; • error in reporting or calculation; • serious reputational damage; or • corporate failure. Malus applies to deferred annual bonus awards and unvested LTIP awards up to the date of vesting. Clawback applies to cash annual bonus payments and vested LTIP awards for up to two years from payment or vesting. Annual bonus payments and LTIP awards are subject to malus and clawback for up to two years from payment of the bonus or vesting of shares.
Payments for loss of office	There were no payments to former Directors for loss of office.
Payments to past Directors	There were no payments to past Directors during the year.

Directors' remuneration report continued

Recruitment policy

When determining the remuneration arrangements of a new appointment to the Board, the Committee will seek to apply the following principles:

- Although we operate in a competitive market for talent, we are mindful to pay no more than is necessary to attract and retain high-quality talent;
- The Committee will appoint new Executive Directors with a package that is in line with the Remuneration Policy in place at the time, as indicated in the table below. In particular, the maximum level of variable remuneration will be in line with the limits set out in the Policy table.

Approach on recruitment

ELEMENT	ASSUMPTIONS
Salary	• The base salaries of new appointees will be determined by reference to the individual's role and responsibilities, experience and skills, relevant market data and pay and conditions elsewhere in the Company. • Base salary may be higher or lower than the previous incumbent. Salaries may be set at a lower level initially with the intention of increasing salaries at a higher than usual rate as the executive gains experience in the role.
Pension	• New appointees will be eligible to receive pension contributions (or cash in lieu) in line with the Policy.
Benefits	• New appointees will be eligible to receive benefits in line with the Policy, including relocation benefits if the Committee deems it appropriate.
Annual bonus	• The structure described in the Policy table will normally apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of the year served. The Committee retains the flexibility to determine that for the first year of appointment any annual incentive award will be subject to such terms as it may determine.
LTIP	• New appointees will be eligible for awards under the LTIP which will normally be on the same terms as other executives, as described in the Policy table.

'Buy-out' awards

To facilitate recruitment, it may be necessary to 'buy-out' remuneration arrangements forfeited on leaving a previous employer. This will be considered on a case-by-case basis and may comprise cash or performance and non-performance related share awards and would be in such form as the Committee considers appropriate considering all relevant factors such as the form, performance conditions, expected value, anticipated vesting and timing of the forfeited remuneration. The Committee's intention is that the value awarded would be no more than the commercial value of the awards forfeited.

For internal promotions, the approach will be consistent with the policy for external appointees. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements.

Service contracts

Executive Director service contracts can be terminated by not less than six months' notice given in writing by either party to the contract, with no contractual provisions for compensation payable on early termination of the contract. The Directors are

subject to annual re-election at the AGM. Directors' contracts are available to view at the Company's registered office.

Directors' remuneration report continued

Termination Payments

Executive Directors may receive base salary, pension and benefits during the notice period, which may be paid during a period of 'garden leave' or 'payment in lieu of notice' (PILON) for all or part of any period of notice. Payments will normally be made in equal monthly instalments until the end of the notice period at the discretion of the Company and Executive Directors will be expected to mitigate their loss. Individuals will be eligible for annual bonus only in respect of periods worked (i.e. excluding any periods of garden leave or PILON) subject to the normal performance conditions. Further detail on the treatment of annual bonus and LTIP for leavers is provided in the table below.

The Committee will seek to ensure that there are no unjustified payments for failure. There are no entitlements to payments of any sort in the event that for cause an Executive Director's employment is summarily terminated. In the event that an Executive Director is given notice of termination of employment within twelve months of any change in control of the Company, he/she will be given not less than twelve month's written notice and the same arrangements for receiving salary and benefits during this period will apply as described above.

The Committee may authorise payments for statutory entitlements in the event of termination, reasonable settlement of potential legal claims, and payment of reasonable reimbursement of professional fees in connection with such agreements.

PLAN	GOOD LEAVERS[1]	ALL OTHER LEAVERS	CHANGE OF CONTROL
Annual bonus	• Typically paid at the same time as continuing employees, to the extent that the performance conditions are achieved with pro-rating for the proportion of the financial year worked, unless the Committee determines otherwise. • Deferred bonus awards will continue until the normal vesting date or may vest earlier at the discretion of the Committee.	• No bonus payable. • Unvested deferred bonus awards lapse.	• Normally paid immediately on the effective date of change of control, subject to the extent of achievement of the performance conditions and pro-rated for the proportion of the year served to the date of change of control, unless the Committee determines otherwise. • Deferred bonus awards normally vest immediately in full on the effective date of change of control.
LTIP	• Unvested LTIP awards will typically vest on the normal vesting date, to the extent that the performance conditions are achieved with pro-rating for the proportion of the performance period served, unless the Committee determines otherwise. • Vested awards will remain subject to any post-vesting holding period.	• Unvested awards lapse. • Vested awards will remain subject to any holding period.	• Unvested LTIP awards will typically vest immediately in full on the effective date of change of control, subject to the Committee's assessment of the achievement of the performance conditions and pro-rated for the proportion of the performance period served to the date of change of control, unless the Committee determines otherwise. • The post-vesting holding period applicable to any awards will end at the time of change in control. • Alternatively, awards may be exchanged for new equivalent awards in the acquiring company.

1 The Committee has discretion to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders. A good leaver is typically defined as an employee who ceases to hold employment by reason of: death, injury, ill-health or disability; retirement with the agreement of the Group; redundancy; the participant's employing Company being transferred to an entity which is not a Group member; transfer of undertaking; or any other reason at the Committee's discretion.

Directors' remuneration report continued

PART 4: ANNUAL REPORT ON REMUNERATION FOR 2023

Performance measures selection for the annual bonus

Performance measures for the annual bonus are selected annually to reflect the Company's main short and long-term objectives and reflect both financial and non-financial priorities. For Executive Directors, performance measures in incentives focus predominantly on the profitability of the IPS business which is central to Law Debenture's business model and is the area of the business fully within their control. The performance targets are set to be stretching but achievable, taking into account a range of internal and external reference points and having regard to the particular strategic priorities and economic environment.

By their nature, some objectives require a more subjective assessment than others and this is done by the Committee following the input from the wider Board as appropriate.

STRATEGIC OBJECTIVES	Description	Weighting
IPS financial performance	The Committee reviews financial metrics when assessing the Executive Directors' delivery against financial performance targets. The metric used for 2023 was PBT. The Executive Directors' awards are based on the performance against agreed thresholds, which can be found in the table below.	60%
IPS non-financial performance	The success of the IPS business is dependent on the effective leadership and implementation of the right strategy to ensure our people can provide excellent service to our clients regardless of the external challenges the business may face. This includes a robust operational infrastructure, a well embedded risk management framework and high calibre people. Engagement with investors, potential investors, market analysts, clients and the media is considered to be beneficial to our shareholders as it raises awareness of the unique investment proposition which is offered by Law Debenture and supports the future growth of the IPS business. The Remuneration Committee believe that the efforts made by the Executive Directors to further enhance the areas outlined above should be rewarded.	40%

MEASURE

For 2023 the maximum bonus opportunity for the Executive Directors was 125% of salary. Performance conditions were based 60% on financial metrics and 40% on strategic metrics. Details of the specific measures, weightings and outcome achieved are set out below:

Measure	Weighting	Threshold (20% of max.)	Maximum (100% of max.)	Actual	Outcome (% of salary)
IPS financial performance - PBT	60%	5%	12%	10.5%	62.1%
IPS non-financial performance	40%	Further details set out below			32.5%
Total	100%				94.6%

CORPORATE GOVERNANCE

Directors' remuneration report continued

Remuneration Outcomes for 2023

2023 PERFORMANCE AND PAY OUTCOMES
Performance against Financial Objectives for 2023
Total Annual Bonus for 2023: 94.6% of a potential maximum of 125% of base salary. The IPS business delivered PBT growth of 10.5% resulting in an award of 62.1% of base salary out of a maximum of 75% of base salary for financial performance (60% weighting of the maximum total bonus of 125% of base salary).

Performance against Non-Financial Objectives for 2023

Key Performance Area	Max bonus eligibility (% of base salary)	Score (out of 5)	Bonus awarded (% of base salary)	Commentary on objectives set and achievements
Operational Excellence	12.5%	2.5	6.25%	The Committee set several targets in relation to Operational Excellence which encompassed leadership and governance structures across the organisation as well as actioning areas for enhancement identified through internal and external audits. Following the strategic review, the Executive Directors designed a new Target Operating Model and an ambitious implementation plan which is now underway. Progress has been made on internal and external audit findings. However, there is still work to be done to drive operational excellence across the business and this objective will therefore be carried forward into 2024.
IPS Business	18.75%	3	11.25%	The Committee identified several strategic priorities that were important to facilitate continued growth in IPS. They included targets around business development, customer satisfaction, structures to ensure revenues grow faster than costs in 2023 and beyond, as well as further targets for enhancing the contribution of CSS to IPS. Some good progress was made on all objectives. Business development was a particular highlight with increased collaboration and cross-selling across IPS businesses. The Executive Directors have also overseen the development of customer satisfaction metrics for some of our businesses, with more to follow in 2024. There is also further work needed on CSS to fully realise the value of that addition to our suite of businesses.
Strategy, M&A, Brand and Marketing	18.75%	4	15%	The Remuneration Committee asked the Executive Directors to undertake a strategic review of the IPS business with a view to informing plans for future investment and growth. In addition, the Executive Directors were tasked with developing and implementing a marketing strategy and plan to support growth of the IPS business and promotion of the investment trust. They were also asked to implement these plans. The Committee was pleased with the work done on the strategic review, the five-year strategic plan and the marketing plan. Implementation of the five-year strategic plan began towards the end of the year, as did the marketing plan.
Total (of a maximum 50% of base salary)			32.5%	

Directors’ remuneration report continued

Long Term Incentive Plan

The Committee used growth in IPS PBT as the metric for determining the level of vesting over the relevant performance period. The LTIP award granted to both the CEO and COO in 2021 reached the end of its performance period on 31 December 2023. The table below shows the performance target. The outcome was CAGR of 9.2% (compared with a threshold to maximum range of 4% to 10% CAGR), resulting in a vesting of 90.0% of the maximum award.

In 2023, both the CEO and the COO were granted LTIP awards at the level of 150% of salary. The award will vest after three years based on IPS PBT performance, and any vested shares (net of tax) will be subject to a further two-year holding period. The performance targets are as follows. Grants in 2024 will also be at the level of 150% of base salary, with the CAGR ranges shown below:

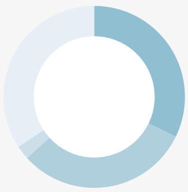
	% vesting	IPS 3-year PBT CAGR
Below threshold	0%	Less than 4%
Threshold	20%	4%
Stretch	150%	14%

2023 PERFORMANCE AND PAY OUTCOMES

Total remuneration 2023

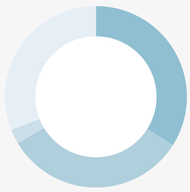
Denis Jackson
Chief Executive Officer

- Salary and benefits 32%
- Annual bonus 31%
- Pension 3%
- LTIP 34%



Trish Houston
Chief Operating Officer

- Salary and benefits 34%
- Annual bonus 33%
- Pension 3%
- LTIP 31%



Share ownership

Shareholding is a key means by which the interests of Executive Directors are aligned with those of shareholders.

Denis Jackson[1]
Chief Executive Officer

Trish Houston[2]
Chief Operating Officer

Denis Jackson:
Current holdings: 110,090 shares[3]
Two times salary: 88,390 shares[4]
Total target value[3]: £708,000

Trish Houston:
Current holdings: 15,279 shares[3]
Two times salary: 72,410 shares[4]
Total target value[3]: £580,000

1 Denis Jackson has 34,826 vesting in 1-4 years time subject to a service condition but not a performance condition. This holding has been adjusted to reflect tax and NI payable.
2 Trish Houston has 14,075 vesting in 1-4 years time subject to a service condition but not a performance condition. This holding has been adjusted to reflect tax and NI payable.
3 Includes shares held in own account.
4 Calculated based on a close price of 801p as at 29 December 2023.

The value of the shareholdings disclosed have been calculated using the close price as at 29 December 2023, the time of acquisition of the shares. For these purposes, shares held in the deferred bonus scheme (on a net of tax/NIC basis), the SIP and SAYE as at 29 December 2023 have been included as there are no performance conditions to be met. The unvested LTIP awards have not been factored in.

Directors' remuneration report continued

Single total figure of remuneration (audited)

	Year ended	Salary[1] £000	Benefits[2] £000	Bonus £000	LTIP[3] £000	Pension[4] £000	Total £000	Total Fixed £000	Total Variable £000
Denis Jackson	2023	347	2	335	368	32	1,084	381	703
	2022	325	2	250	474	34	1,084	361	724
Trish Houston[5]	2023	286	33	274	260	22	875	341	534
	2022	219	1	211	—	33	464	253	211

1 Changes to salary are affective from 1 April.
2 Benefits shown are available to all eligible employees. Both Denis Jackson and Trish Houston receive healthcare insurance. In 2023, Trish Houston also received benefits relating to her return to work from maternity leave in line with our wider policy.
3 Includes dividend reinvestment and dividend equivalent. Value is based on average share price for the period of 1 October 2023 to 31 December 2023 of 777.67p plus the final dividend of 0.0925 pence per share. The share price at the time of the grant in respect of the LTIP vesting in 2024 was 712.8 pence per share compared to the average share price of 777.67p for the 3-month period to 31 December 2023. The share price at the time of the grant in respect of the LTIP vesting in 2023 was 462.9p per share. The award that vested in 2023 did so at a share price of 809p per share. The 2022 award has been updated to reflect the share price at point of vesting.
4 The pension values relate to the cash allowances paid in lieu of pension contribution. The amount shown is the value of the allowance received, which reflects a reduction for the cost of employer's NIC.
5 Trish Houston's service for 2022 includes a period of maternity leave. The remuneration figures in the table are actual earnings for 2022.

Executive Directors' shareholdings (audited)

The table below shows the interests of the Executive Directors and connected persons in shares (owned outright or vested) as at 31 December 2023. In the period between 31 December 2023 and 26 February 2024, Denis Jackson's shareholding has increased by 582 shares, as a result of dividend reinvestment. Trish Houston's shareholding has increased by 158 shares, as a result of dividend reinvestment.

		Outstanding scheme interests							
	Shares owned outright	Unvested shares not subject to performance[1]	Unvested options not subject to performance[2]	Unvested shares subject to performance[3]	Vested but unexercised share options	Total scheme interests[4]	Shareholding guideline (% of salary)	Current shareholding (% of salary)[5]	Guideline met
Denis Jackson	30,058	34,826	5,565	154,193	58,625	129,074	200%	292%	Yes
Trish Houston	5,776[6]	14,075	3,856	122,358	—	23,707	200%	65%	No

1 Includes deferred bonus awards granted under the Deferred Share Plan.
2 Includes options awarded under Save As You Earn Share Save Plan.
3 Includes options awarded under the LTIP.
4 Total scheme interests excludes the shares subject to performance conditions.
5 Based on a share price on 29 December 2023 of 801p. Shares owned outright have been included.
6 Includes person closely associated ('PCA') holdings of 734 shares.

Executive Directors' interests in shares and option plans (audited)

	Scheme	Interests held at 1 January 2023	Granted in the year	Date of grant	Market price at grant	Vested in the year	Lapsed/ forfeited in the year	Exercised in the year	Exercise price*	Market price at date of exercise	Interests held at 31 December 2023	Vesting/ first exercise date
Denis Jackson	[1]DSP 2020	18,712	166	13.03.20	587.2	18,878	—	—	n/a	n/a	n/a	n/a
	[1]DSP 2021	13,271	539	12.03.21	704.7	—	—	—	n/a	n/a	13,810	12.03.24
	[1]DSP 2022	11,360	462	14.03.22	799.1	—	—	—	n/a	n/a	11,822	12.03.25
	[1]DSP 2023	—	8,913	15.03.23	841.5	—	—	—	n/a	n/a	8,913	16.03.26
	[2]LTIP 2020	70,210	—	07.04.20	462.9	58,625	11,585	—	n/a	n/a	n/a	07.04.23
	[2]LTIP 2021	45,595	—	01.03.21	712.8	—	—	—	n/a	n/a	45,595	01.03.24
	[2]LTIP 2022	41,806	—	28.02.22	799.1	—	—	—	n/a	n/a	41,806	28.02.25
	[2]LTIP 2023	—	66,792	04.04.23	795.0	—	—	—	n/a	n/a	66,792	04.04.26
	[3]SAYE 2020	5,565	—	26.08.20	539.0	—	—	—	539	n/a	5,565	26.08.25

1 Deferred Share Plan (share grant price is based on the market close on the date of the grant). Includes dividend reinvestment. DSP 2019 is now owned outright.
2 Long Term Incentive Plan (price at grant is calculated based on a 5 day average close price up to and including the day before the date of grant). Details of performance conditions and targets can be found on page 93. 74% of Denis Jackson's 2020 LTIP award vested on 7 April 2023. The remaining number of shares lapsed accordingly. The vested awards are subject to a two year holding period.
3 Save As You Earn Save Plan (share grant price is based on market close on the date of the grant).
* Exercise price is based on market price at grant.

Directors' remuneration report continued

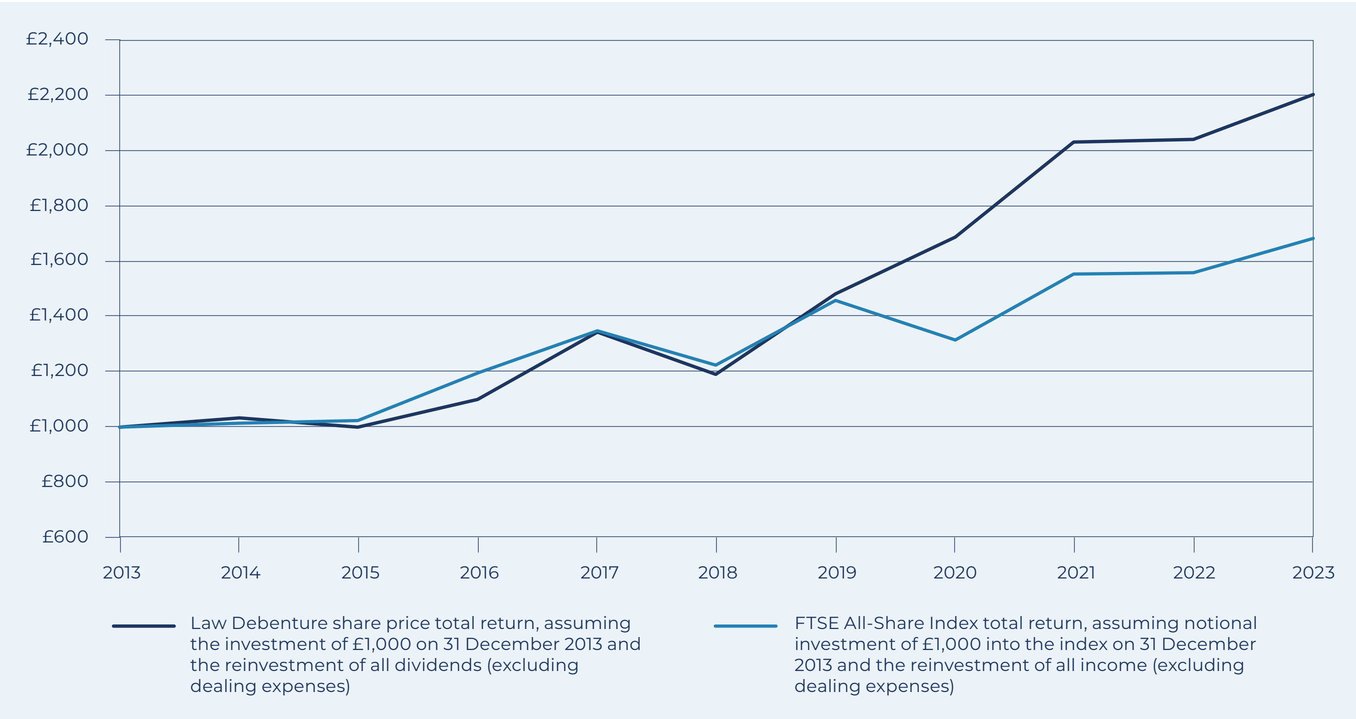
Executive Directors' interests in shares and option plans (audited) continued

	Scheme	Interests held at 1 January 2023	Granted in the year	Date of grant	Market price at grant	Vested in the year	Lapsed/ forfeited in the year	Exercised in the year	Exercise price*	Market price at date of exercise	Interests held at 31 December 2023	Vesting/ first exercise date
Trish Houston	[1]DSP 2022	6,977	283	14.03.22	799.1	—	—	—	n/a	n/a	7,260	12.03.25
	[1]DSP 2023	—	7,098	15.03.23	841.5	—	—	—	n/a	n/a	7,098	16.03.26
	[2]LTIP 2021	32,267	—	01.03.21	712.8	—	—	—	n/a	n/a	32,267	01.03.24
	[2]LTIP 2022	35,374	—	28.02.22	799.1	—	—	—	n/a	n/a	35,374	28.02.25
	[2]LTIP 2023	—	54,717	04.04.23	795	—	—	—	n/a	n/a	54,717	04.04.26
	[3]SAYE 2021	3,856	—	01.09.21	778	—	—	—	778	n/a	3,856	01.09.26

1 Deferred Share Plan (share grant price is based on the market close on the date of the grant). Includes dividend reinvestment. DSP 2019 is now owned outright.
2 Long Term Incentive Plan (price at grant is calculated based on a 5 day average close price up to and including the day before the date of grant). Details of performance conditions and targets can be found on page 93.
3 Save As You Earn Save Plan (share grant price is based on market close on the date of the grant).
*Exercise price is based on market price at grant.

Total Shareholder Return (TSR) chart and historical remuneration

The graph below compares the value of £1,000 invested in Law Debenture's shares, including reinvested dividends, with the FTSE All-Share Total Return Index over the last ten years. This index was selected because it is the index adopted as Law Debenture's benchmark.



Notes
1 The graph shows the total shareholder return of a nominal holding of £1,000 of Law Debenture's shares measured against the total shareholder return of a nominal holding of £1,000 invested in the FTSE All-Share Index over a 10 year period.
2 Dividends have been reinvested.
3 FTSE All-Share Index is chosen as the comparator in this table because that is the index against which, historically, the Company has reported the performance of the Portfolio.

Directors’ remuneration report continued

Historical remuneration and TSR chart

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Incumbent	C. Banszky	C. Banszky	M. Adams[1] C. Banszky	T. Fullwood[2] M. Adams	D. Jackson[3]	D. Jackson[3]	D. Jackson[3]	D. Jackson[3]	D. Jackson[3]	D. Jackson[3]
CEO single figure of total remuneration (£000)	690.7	677.5	180.5 757.8	142.2 344.1	611.2	643.4	643.0	643.2	1,084[4]	1,084[5]
Annual bonus and deferred bonus awarded (against maximum %)	62.0%	100.0%	65.1% 0.0%	100.0% 0.0%	100.0%	90.9%	85.0%	85.0%	76.8%	75.7%
LTIP award due to vest (against maximum %)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	74%	90.0%

1 C. Banszky stepped down as CEO on 31 August 2016 and was succeeded by M. Adams on the same date following his appointment to the Board on 4 August 2016.
2 T. Fullwood was appointed interim Chief Executive Officer from 22 October 2017 for a fixed term until retirement at 1 January 2018.
3 D. Jackson was appointed as CEO on 1 January 2018.
4 Includes dividend reinvestment and dividend equivalent. Total number of shares which vested was 58,006 at a share price of 809 pence per share.
5 Includes dividend reinvestment and dividend equivalent. Total number of shares due to vest is 46,835 at an average share price of 777.67 pence per share for the 3-month period to 31 December 2023.

CEO pay ratio

UK regulations require companies with more than 250 UK employees to publish ratios to show CEO Total pay versus that of its UK employees. In line with these regulations, we have provided ratios based on Method B as prescribed by the regulations, under which a single total figure of remuneration is derived for each employee identified using the Gender Pay Gap data and the quartiles analysed. The employee pay figures were calculated by reference to and as at the year ended 31 December 2023 using full-time equivalent data for relevant employees in service as at 31 December 2023. The Committee is satisfied that the median pay ratio is consistent with the pay, reward and progression policies for our UK employees.

CEO pay ratios can be volatile due to the variable nature of the CEO remuneration outcomes based on performance.

Financial year	Methodology	25th percentile ratio	50th percentile ratio	75th percentile ratio
2023	B	32:1	19:1	10:1

	CEO £000	25th percentile £000	50th percentile £000	75th percentile £000
Total pay	£1,044,798	£36,133	£60,517	£114,673
Base salary	£346,749.99	£30,250	£51,046	£80,670

Directors' remuneration report continued

Percentage change in Director remuneration

The table below shows the percentage change in Director remuneration, comprising salary, taxable benefits and annual bonus, and comparable data for the average of all UK employees within the Company.

	Salary/ fees 2023	Taxable Benefits 2023	Annual Bonus 2023	Salary/ fees 2022	Taxable Benefits 2022	Annual Bonus 2022	Salary/ fees 2021	Taxable Benefits 2021	Annual Bonus 2021	Salary/ fees 2020	Taxable Benefits 2020	Annual Bonus 2020
Denis Jackson (CEO)	8.9%	0%	34%	0%	0%	-10%	0%	0%	0%	3%	3%	-4%
Trish Houston (COO)	0%	>100%	30%	0%	0%	1%	17%	0%	0%	n/a	n/a	n/a
Katie Thorpe (CFO)[1]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6%	6%	n/a
Robert Hingley (NED)	16.1%	n/a	n/a	5%	n/a	n/a	n/a	n/a	n/a	3%	n/a	n/a
Robert Laing (NED)[2]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3%	n/a	n/a
Mark Bridgeman (NED)[3]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tim Bond (NED)	5%	n/a	n/a	5%	n/a	n/a	0%	n/a	n/a	3%	n/a	n/a
Claire Finn (NED)	10.4%	n/a	n/a	5%	n/a	n/a	0%	n/a	n/a	3%	n/a	n/a
Clare Askem (NED)	8.4%	n/a	n/a	5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Pars Purewal (NED)	10.4%	n/a	n/a	5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
All other Employees (excluding directors)[4]	6%	n/a	0%	6%	n/a	0%	5%	0%	30%	3%	0%	11%

1 Katie Thorpe resigned from the Board on 11 September 2020 and left Law Debenture in October 2020.
2 Robert Laing retired from the Board in April 2021.
3 Mark Bridgeman retired from the Board in April 2022.
4 For the purposes of this table, all other employees excluding Directors have been taken to mean employees of LDC Trust Management Limited and Safecall Limited.

Non-Executive Directors' shareholdings (audited)

The table below shows the interests of the Non-Executive Directors and connected persons in shares (owned outright or vested) as at 31 December 2023. There have been no changes in Directors' interests in the period between 31 December 2023 and 26 February 2024.

	Shares owned outright
Robert Hingley	4,870
Tim Bond	—
Pars Purewal[1]	13,954
Claire Finn	2,576
Clare Askem	—
Maarten Slendebroek	—

1 Pars Purewal's shares are held jointly with a connected person.

Single total figure of remuneration for Non-Executive Directors (audited)

The table below sets out the single figure for the total remuneration received by each Non-Executive Director for the year ended 31 December 2023 and the prior period:

Non-Executive Directors	Salary/fees 2023	Total 2023	Salary/fees 2022	Total 2022
Robert Hingley	£105,500	£105,500	£90,888	£90,888
Tim Bond	£49,400	£49,400	£47,030	£47,030
Pars Purewal	£58,387	£58,387	£51,264	£51,264
Claire Finn	£58,387	£58,387	£52,909	£52,909
Clare Askem	£55,575	£55,575	£51,264	£51,264
Maarten Slendebroek[1]	£0	£0	£0	£0

1 Maarten Slendebroek was appointed to the Board on 11 January 2024 and therefore did not receive fees during 2023.

Directors' remuneration report continued

Non-Executive Director fees

For 2024, the fees for the Chair has increased as shown below, and explained in the Committee Chair's introductory statement.

Fee	Fees effective 1 April 2024	Fees effective 1 April 2023	% change
Chair fee	£130,000	£110,000	18.2%
Non-Executive Director base fee	£50,000	£50,000	0%
Additional fee for Chair of Audit Committee	£10,000	£10,000	0%
Additional fee for Chair of Remuneration Committee	£10,000	£10,000	0%
Additional fee for oversight of workforce engagement	£6,250	£6,250	0%

Relative importance of spend on pay

The table below shows the Company's actual expenditure on shareholder distributions (including dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 December 2022 and 31 December 2023.

	2023 £000	2022 £000	% change
Total employee pay expenditure[1]	26,960	23,995	12.4%
Total distributed to shareholders[2]	41,982	38,865	8.0%

1 Total remuneration includes bonuses, employers' NI and pension costs and is the figure reported at note 3 of the accounts less remuneration of Non-Executive Directors.
2 Amounts distributed to shareholders are the totals of the final and interim dividends in respect of that year. There were no other distributions.

The average number of employees has increased from 260 in 2022 to 288 in 2023, which has led to an increase in employee pay expenditure. The increase also includes the effect of the annual review of base salaries. Distribution to shareholders has been subject to an increase for the current year as explained in the Chairman's statement on pages 6 and 7.

Statement of shareholder voting at the Company's AGM

The table below sets out the results of the most recent shareholder votes on the Directors' Remuneration Policy and the Annual Remuneration Report at the AGM on 30 March 2023. The full policy is contained in the Company's annual report and accounts for the year ended 31 December 2022, which may be found at https://www.lawdebenture.com/investment-trust/shareholder-information/annual-reports-and-half-yearly-reports.

	Percentage of votes cast		Number of votes cast		
	For	Against	For	Against	Withheld[1]
2022 Directors' Remuneration Report	96.75%	3.25%	26,595,461	893,225	344,264
Directors' Remuneration Policy 2023 - 2025	95.76%	4.24%	26,326,896	1,165,584	340,470

1 A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

This report was approved by the Board of Directors on 26 February 2024 and signed on its behalf by

Claire Finn
Chair, Remuneration Committee

Independent auditor's report

to the Members of The Law Debenture Corporation p.l.c.

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of The Law Debenture Corporation plc (the 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the Company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated statement of profit and loss;
- the Consolidated statement of comprehensive income;
- Statement of financial position;
- Consolidated statement of changes in equity;
- Consolidated statement of changes in equity;
- Cash Flow Statement; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Company for the year are disclosed in note 3 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor’s report continued

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • valuation and existence of investments; and • occurrence of independent professional services fees. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £8.5m which was determined on the basis of 1% of net assets.
Scoping	We performed a full scope audit on the Company and specified audit procedures on prescribed balances performed to component materiality on four of the Company’s subsidiaries which we consider to be significant components. In addition, we performed audits of specified account balances within a further two subsidiaries to group materiality. Together, this accounts for 100% of the Group’s investment portfolio, 95% of the Group’s revenue and 96% of the Group’s total assets. Audit work to respond to the risks of material misstatement identified was performed directly by the group audit engagement team.
Significant changes in our approach	There were no significant changes in our approach apart from in relation to these key audit matters.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors’ assessment of the Group’s and Company’s ability to continue to adopt the going concern basis of accounting included:

- assessing the directors considerations regarding whether they consider it appropriate to adopt the going concern basis of accounting;
- assessing the compliance with covenants including the headroom associated with the covenants;
- assessing the liquidity of the assets of the group and whether there is sufficient liquidity for the group to continue to operate and meet its financial obligation.
- evaluating management’s plans for future actions in relation to their going concern assessment;
- assessing the appropriateness of the going concern disclosures in the financial statements; and
- reviewing management’s going concern and viability papers for reasonableness.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group’s and Company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report continued

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation and existence of investments

Key audit matter description	The investments of the Group of £965.2m (2022: £891.0m) are key to its performance and account for the majority of the total assets, 96.4% at 31 December 2023 (2022: 88.7%). Quoted investments are valued at their fair value, which is represented by the market bid price. Unlisted investments' fair value is determined in accordance with International Private Equity and Venture Capital Valuation (IPEV) guidelines. Please see the accounting policy in note 1 and note 13. Investments listed on recognised exchanges are valued at the closing bid price at the year end. There is a risk that investments within the portfolio may not be actively traded and the prices quoted may not be reflective of fair value. Additionally, there is a risk the investment assets recorded may not represent property of the Group and Company. There is a risk that the investment valuation and investment existence of the Group can be manipulated by applying an incorrect share price and number of shares owned. This could result in material misstatement of the net asset value of the Group.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to test the valuation and existence of investments at 31 December 2023: • Obtained an understanding of the relevant controls over valuation and existence of quoted investments. • Agreed 100% of the Company's investment portfolio at the year-end to confirmations received directly from the custodian and depositary. • Independently agreed 100% of the bid prices of quoted investments on the investment ledger at year end to closing bid prices published by an independent pricing source. • Assessed the liquidity of a sample of the holdings at year-end by comparing the holding size to the shares traded after the year end to determine if the valuation is reflective of quoted prices in an active market. • Evaluated the completeness and appropriateness of disclosures in relation to fair value measurements and liquidity risk. • Tested the accuracy of a sample of purchases and sales of investments.
Key observations	Based on the work performed we concluded that the valuation and existence of quoted investments is appropriate.

5.2. Occurrence of independent professional services fees

Key audit matter description	Independent professional services ("IPS") revenue consists of fees receivable from the provision of services, and is recognised based on the delivery of performance obligations and an assessment of when control is transferred to the customer. Fees are manually recorded. The basis of fees vary across the various divisions of IPS, increasing the relative risk of misstatement. The accounting policy for revenue recognition is detailed in note 1 and note 6 to the financial statements. Fees of £58.5m were recorded for the year-ended 31 December 2023 (2022: £53.5m). The fees require the implementation of appropriately authorised client contracts for services performed by the Group, as well as appropriate accounting treatment in line with IFRS 15 Revenue from contracts with customers. Revenue is a balance of key importance to stakeholders and impacts long-term incentives. Additionally, recording revenue which did not occur could have a significant impact on the Group's earnings per share. Given the manual processes involved in accounting for this revenue, we consider it to be a key audit matter. In the current period, we no longer assessed accuracy or cut-off of IPS revenue to be relevant to this key audit matter. Given the simplicity of determining the correct amounts, and the majority of the revenue being annual fees, we no consider there to be a low likelihood of a material misstatement associated with accuracy and cut-off.
How the scope of our audit responded to the key audit matter	We have performed the following procedures to test the occurrence of independent professional services fees for the year: • We obtained an understanding of the relevant controls over the occurrence of IPS fees. • We independently agreed a sample of fees to signed client agreements, sales invoices and bank receipts as further evidence that the transaction occurred due to the manual process. Where amendments were made to client agreements, we assessed whether these had been recorded accurately and timely. • Finally, we evaluated revenue recorded to assess whether the revenue has been accounted for in compliance with IFRS 15 for revenue recognition criteria.
Key observations	Based on our work, independent professional service fees are appropriately recorded.

Independent auditor's report continued

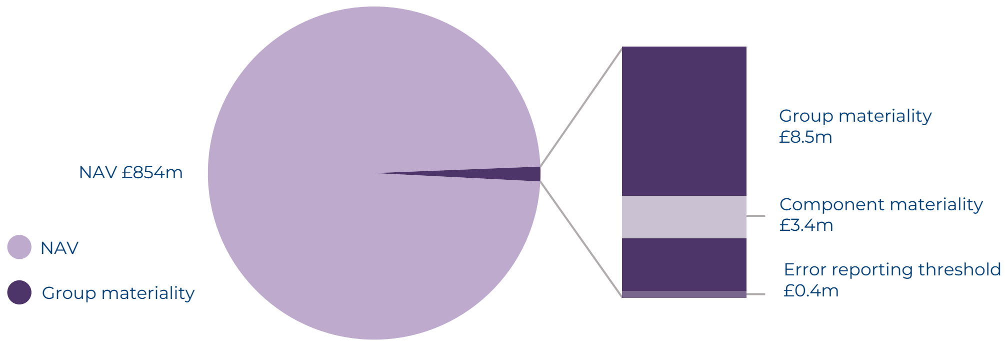
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Materiality	£8.5m (2022: £8.0m)	£7.7m (2022: £7.2m)
Basis for determining materiality	1% (2022: 1%) of net assets as at the year end.	Company materiality equates to 0.90% (2022: 0.9%) of net assets, which is capped at 90% of group materiality.
Rationale for the benchmark applied	Net assets has been chosen as a benchmark as it is considered the most relevant benchmark for investors and is a key driver of shareholder value.	Company materiality has been capped at 90% Group materiality to ensure errors identified in the parent entity that may present an aggregate risk of material misstatement to the Group financial statements are detected.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Company financial statements
Performance materiality	70% (2022: 70%) of Group materiality	70% (2022: 70%) of Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our understanding of the entity, its environment and the investment company sector; • the quality of the entity's internal controls over financial reporting; • significant control deficiencies identified in previous audits; • the nature, volume and size of misstatements (corrected and/or uncorrected) in the previous audit; and • management's willingness to correct misstatements identified.	

Independent auditor's report continued

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.4m (2022: £0.4m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

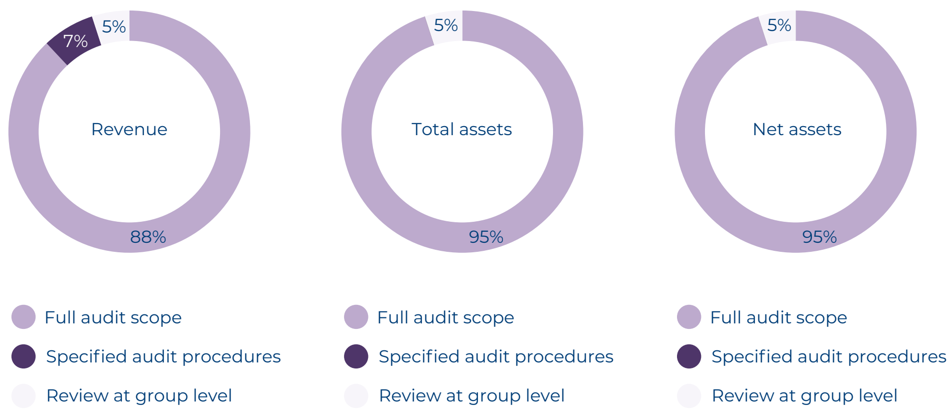
The organisation is headquartered and operates principally out of the UK, but also operates overseas subsidiaries in United Kingdom Ireland, Hong Kong, Cayman Islands, Channel Islands and the United States.

In determining the scope of work to be performed on specific components of the Group, we considered each entity with reference to both quantitative and qualitative factors. Our quantitative assessment was primarily based on each entity's total assets and revenue, though we also considered the overall coverage obtained. For qualitative factors, our assessment included current-year events and any significant risks or management interest, including management's strategy for the Group.

Based on that assessment, which is broadly consistent with the prior year, we focused our Group audit scope primarily on the audit work at the Company and four of the largest subsidiary companies in the Group, which were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations in each of those entities. All other subsidiaries were subject to Group-wide analytical review procedures.

These five entities represent the principal operating companies and account for 95% of the Group's total assets and 88% of the Group's revenue. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the four subsidiaries was executed at levels of component materiality which were lower than Group materiality and were capped at £3.4 million for all components. Company materiality is set out at section 6 above.

As all of the significant components identified are located in the UK. Audit work to respond to the risks of material misstatement identified was performed directly by the group audit engagement team.



7.2. Our consideration of the control environment

We identified that the following key IT systems were relevant to the audit:

- Sage Intacct, which is the finance software used across all components of the Group and is used to record underlying transactions within the Group;
- BQE Core, which is used for recording key customer data and billing in respect of the IPS business;
- Investment Net asset value (NAV), an in-house tool which is used in recording the net asset value of the investment portfolio.

With the involvement of our IT specialists, we obtained an understanding of relevant IT controls.

Independent auditor's report continued

7.2. Our consideration of the control environment continued

Furthermore, as noted by the Audit and Risk Committee on page 74, the Group's finance operations (including its control environment) is undergoing a Target operating model (TOM) programme that involves the improvement in the overall control environment. Therefore, considering the on-going changes to the overall control environment, we concluded that a fully substantive approach was appropriate in all aspects of the audit for the year ended 31 December 2023.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements.

The Group continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change, as outlined on page 49. As a part of our audit, we have obtained management's climate-related risk assessment documentation and held discussions with the Group ESG Manager to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. We also reviewed management's financial statement disclosures on the impact of climate-related risks on the financial statements (as disclosed on page 117 and evaluated whether the disclosure was appropriate.

We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transactions, including an assessment of how the potential impacts of climate change affect the financial statements, in particular judgements and estimates made in the recognition and measurement of assets and liabilities and related disclosures. These risk assessment procedures did not identify any additional risks of material misstatement.

In addition, we involved our TCFD specialists to assist us in assessing whether the voluntary TCFD disclosures provided were consistent with the 11 TCFD recommendations. We also considered whether the TCFD disclosures provided were consistent with knowledge of the Group obtained during the audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group’s remuneration policies, key drivers for directors’ remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group’s sector;
- any matters we identified having obtained and reviewed the Group’s documentation of their policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- valuation and existence of investments; and
- occurrence of independent professional service fees.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included UK Companies Act, Listing Rules, pensions legislation, tax legislation and matters regulated by the Financial Conduct Authority (“FCA”) (the Group’s lead regulator).

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group’s ability to operate or to avoid a material penalty. These included the Group’s operating licence and regulatory solvency requirements.

Independent auditor's report continued

11.2. Audit response to risks identified

As a result of performing the above, we identified (i) valuation and existence of investments and (ii) occurrence of independent professional services fees as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- enquiring of management and the Audit and Risk Committee regarding their identification and assessment of risks of irregularities, including those that are specific to the entity's business sector;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, FCA and other regulators globally; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 68;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 68;
- the directors' statement on fair, balanced and understandable set out on page 68;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 68;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 68; and
- the section describing the work of the Audit and Risk Committee set out on pages 74 to 77.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Independent auditor's report continued

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit and Risk Committee, we were appointed by the Audit and Risk Committee on 1 October 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is three years, covering the years ending 31 December 2021 to 31 December 2023.

15.2. Consistency of the audit report with the additional report to the Audit and Risk Committee

Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

Andrew Partridge (Senior statutory auditor)
For and on behalf of Deloitte LLP

Statutory Auditor
Glasgow, United Kingdom

26 February 2024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Consolidated statement of profit or loss

For the year ended 31 December 2023

		2023			2022		
	Notes	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
UK dividends		29,834	—	29,834	29,837	—	29,837
UK special dividends		—	1,368	1,368	1,176	3,442	4,618
Overseas dividends		3,670	—	3,670	3,451	—	3,451
Total dividend income		33,504	1,368	34,872	34,464	3,442	37,906
Interest income	5	1,197	—	1,197	266	—	266
Independent professional services fees	6	58,543	—	58,543	53,452	—	53,452
Other income		1,369	—	1,369	847	—	847
Total income		94,613	1,368	95,981	89,029	3,442	92,471
Net gain/(loss) on investments held at fair value through profit or loss	2	—	37,379	37,379	—	(126,234)	(126,234)
Total income and capital gains/(losses)		94,613	38,747	133,360	89,029	(122,792)	(33,763)
Cost of sales		(8,255)	—	(8,255)	(8,408)	—	(8,408)
Administrative expenses	3	(39,708)	(2,075)	(41,783)	(34,332)	(1,908)	(36,240)
Operating profit/(loss)		46,650	36,672	83,322	46,289	(124,700)	(78,411)
Finance costs							
Interest payable	5	(1,635)	(4,908)	(6,543)	(1,636)	(4,908)	(6,544)
Profit/(loss) before taxation	6	45,015	31,764	76,779	44,653	(129,608)	(84,955)
Taxation	7	(1,626)	—	(1,626)	(1,392)	—	(1,392)
Profit/(loss) for the year	6	43,389	31,764	75,153	43,261	(129,608)	(86,347)
Return per ordinary share (pence)	9	33.43	24.47	57.90	34.44	(103.17)	(68.73)
Diluted return per ordinary share (pence)	9	33.41	24.47	57.88	34.42	(103.14)	(68.72)

Consolidated statement of comprehensive income

For the year ended 31 December 2023

	2023			2022		
GROUP	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit/(loss) for the year	43,389	31,764	75,153	43,261	(129,608)	(86,347)
Foreign exchange on translation of foreign operations	(602)	—	(602)	—	199	199
Pension actuarial (losses)/gains	(1,400)	—	(1,400)	(300)	—	(300)
Taxation on pension	—	—	—	57	—	57
Other comprehensive (loss)/income for year	(2,002)	—	(2,002)	(243)	199	44
Total comprehensive income for the year	41,387	31,764	73,151	43,018	(129,409)	(86,391)

All items stated in the statement of comprehensive income will be subsequently classified to profit or loss when specific conditions are met.

Statement of financial position

As at 31 December 2023

Assets	Notes	GROUP 2023 £000	GROUP 2022 £000	COMPANY 2023 £000	COMPANY 2022 £000
Non-current assets					
Goodwill	10	19,006	19,036	—	—
Property, plant and equipment	11	2,267	1,796	—	—
Right-of-use assets	22	4,131	5,040	—	—
Other intangible assets	12	3,034	3,417	16	16
Investments held at fair value through profit or loss	13	965,226	891,005	965,126	890,905
Investments in subsidiary undertakings	13	—	—	61,368	61,368
Retirement benefit asset	23	7,440	7,400	—	—
Total non-current assets		1,001,104	927,694	1,026,510	952,289
Current assets					
Trade and other receivables	14	21,496	21,443	3,014	1,284
Contract assets	14	8,604	5,436	—	—
Cash and cash equivalents	15	31,439	49,559	12,382	29,825
Total current assets		61,539	76,438	15,396	31,109
Total assets		1,062,643	1,004,132	1,041,906	983,398
Current liabilities					
Amounts owed to subsidiary undertakings		—	—	18,558	19,603
Trade and other payables	16	22,553	19,815	11,023	10,046
Lease liabilities	22	1,025	991	—	—
Corporation tax payable		2,198	1,256	—	—
Other taxation including social security		1,842	2,892	839	1,860
Contract liabilities	16	8,000	5,223	8	7
Total current liabilities		35,618	30,177	30,428	31,516
Non-current liabilities					
Long-term borrowings	20	163,889	163,909	124,343	124,389
Contract liabilities	16	2,403	3,976	—	125
Deferred tax liabilities	7	1,788	1,344	—	—
Lease liabilities	22	4,716	5,659	—	—
Total non-current liabilities		172,796	174,888	124,343	124,514
Total net assets		854,229	799,067	887,135	827,368
Equity					
Called up share capital	17	6,557	6,407	6,557	6,407
Share premium account		107,110	83,022	107,110	83,022
Own shares	17	(3,926)	(3,128)	—	—
Capital redemption		8	8	8	8
Foreign exchange translation reserve		2,659	2,855	—	—
Capital reserves	18	694,276	662,512	740,146	708,382
Retained earnings		47,545	47,391	33,315	29,549
Total equity		854,229	799,067	887,135	827,368
Total equity pence per share		651.13	625.81		

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own income statement, however its profit for the year was £76,763,000 (2022: loss £89,312,000). The financial statements were approved by the Board of Directors and authorised for issue on 26 February 2024. They were signed on its behalf by:

R. Hingley, Board Chair | **D. Jackson**, Chief Executive Officer
The Law Debenture Corporation p.l.c. registered number 00030397

Consolidated statement of changes in equity

As at 31 December 2023

GROUP	Share capital £000	Share premium account £000	Own shares £000	Capital redemption £000	Foreign exchange translation reserve £000	Capital reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2023	6,407	83,022	(3,128)	8	2,855	662,512	47,391	799,067
Profit/(loss) for the year	—	—	—	—	—	31,764	43,389	75,153
Foreign exchange	—	—	—	—	(196)	—	(602)	(798)
Actuarial (loss)/gain on pension scheme (net of tax)	—	—	—	—	—	—	(1,400)	(1,400)
Total comprehensive profit/(loss) for the year	—	—	—	—	(196)	31,764	41,387	72,955
Issue of shares	150	24,088	(798)	—	—	—	—	23,439
Dividend relating to 2022	—	—	—	—	—	—	(11,276)	(11,276)
Dividend relating to 2023	—	—	—	—	—	—	(29,957)	(29,957)
Balance at 31 December 2023	6,557	107,110	(3,926)	8	2,659	694,276	47,545	854,229

GROUP	Share capital £000	Share premium account £000	Own shares £000	Capital redemption £000	Foreign exchange translation reserve £000	Capital reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2022	6,145	41,865	(3,215)	8	2,656	789,423	41,955	878,837
(Loss)/profit for the year	—	—	—	—	—	(129,608)	43,261	(86,347)
Foreign exchange	—	—	—	—	199	2,697	426	3,322
Actuarial (loss)/gain on pension scheme (net of tax)	—	—	—	—	—	—	(243)	(243)
Total comprehensive profit/(loss) for the year	—	—	—	—	199	(126,911)	43,444	(83,268)
Issue of shares	262	41,157	87	—	—	—	—	41,506
Dividend relating to 2021	—	—	—	—	—	—	(10,396)	(10,396)
Dividend relating to 2022	—	—	—	—	—	—	(27,612)	(27,612)
Balance at 31 December 2022	6,407	83,022	(3,128)	8	2,855	662,512	47,391	799,067

Capital reserves comprises realised and unrealised gains on investments held at fair value through profit or loss (see note 18).

Please refer to note 8 for details of dividends paid.

Statement of changes in equity

As at 31 December 2023

COMPANY	Share capital £000	Share premium £000	Capital redemption £000	Capital reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2023	6,407	83,022	8	708,382	29,549	827,368
Profit/(loss) for the year	—	—	—	31,764	44,999	76,763
Total comprehensive profit for the year	—	—	—	31,764	44,999	76,763
Issue of shares	150	24,088	—	—	—	24,238
Dividend relating to 2022	—	—	—	—	(11,276)	(11,276)
Dividend relating to 2023	—	—	—	—	(29,957)	(29,957)
Total equity at 31 December 2023	6,557	107,110	8	740,146	33,315	887,135

COMPANY	Share capital £000	Share premium £000	Capital redemption £000	Capital reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2022	6,145	41,865	8	835,293	27,364	910,675
(Loss)/profit for the year	—	—	—	(129,608)	40,296	(89,312)
Foreign exchange	—	—	—	2,697	(103)	2,594
Total comprehensive loss for the year	—	—	—	(126,911)	40,193	(86,718)
Issue of shares	262	41,157	—	—	—	41,419
Dividend relating to 2021	—	—	—	—	(10,396)	(10,396)
Dividend relating to 2022	—	—	—	—	(27,612)	(27,612)
Total equity at 31 December 2022	6,407	83,022	8	708,382	29,549	827,368

Capital reserves comprises realised and unrealised gains on investments held at fair value through profit or loss (see note 18).

Please refer to note 8 for details of dividends paid.

Cash Flow Statement

For the year ended 31 December 2023

		GROUP		COMPANY	
	Notes	2023 £000	2022 £000	2023 £000	2022 £000
Cash flows from operating activities (before dividends received) and taxation paid	28	11,268	1,983	(5,780)	(6,361)
Cash dividends received		32,964	37,498	48,964	47,136
Taxation paid		—	(700)	—	—
Cash generated from operating activities		44,232	38,781	43,184	40,775
Investing activities					
Acquisition of property, plant and equipment	11	(874)	(151)	—	—
Acquisition of right of use assets	22	—	(428)	—	—
Expenditure on intangible assets	12	(54)	(639)	—	—
Purchase of investments (less cost of acquisition)	13	(98,934)	(170,653)	(98,934)	(170,653)
Sale of investments	13	62,093	145,892	62,093	145,892
Interest received		1,197	266	323	204
Cash flow from investing activities		(36,572)	(25,713)	(36,518)	(24,557)
Financing activities					
Interest paid	5	(6,544)	(6,544)	(6,653)	(6,653)
Dividends paid	8	(40,518)	(37,167)	(40,518)	(37,167)
Payment of lease liabilities	22	(1,272)	(505)	—	—
Proceeds of increase in share capital		24,237	41,419	24,237	41,419
Purchase of own shares	17	(798)	87	—	—
Amounts receivable from intercompany		—	—	(18,037)	(23,207)
Intercompany funding		—	—	16,994	11,114
Net cash flow from financing activities		(24,895)	(2,710)	(23,977)	(14,494)
Net (decrease)/increase in cash and cash equivalents		(17,235)	10,358	(17,311)	1,724
Cash and cash equivalents at beginning of year		49,559	35,880	29,825	25,507
Foreign exchange (losses)/gains on cash and cash equivalents		(886)	3,321	(132)	2,594
Cash and cash equivalents at end of year		31,439	49,559	12,382	29,825

Notes to the accounts

For the year end 31 December 2023

1. Summary of significant accounting policies

General information

The Law Debenture Corporation p.l.c. (the Company) is a public company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Law Debenture Corporation p.l.c. is the ultimate parent entity. The operations and principal activities of the Company and its subsidiaries (the Group) are as an investment trust and the provider of independent professional services.

These financial statements are presented in sterling, which is the currency of the primary economic environment in which the Group operates and are rounded to the nearest thousand. Foreign operations are included. The address of the registered office is given on page 158.

Guarantees issued to subsidiaries

For the year ending 31 December 2023 the following subsidiaries of the Company were entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies. The Company has given a statement of guarantee under s479C of the Companies Act 2006, whereby the Company guarantees all outstanding liabilities to which the respective subsidiary companies are subject to as at 31 December 2023:

	Country of incorporation	Registered number
Law Debenture Corporation (Deutschland) Limited	UK	04019781
Law Debenture Governance Services Limited	UK	07466833
LDC (NCS) Limited	UK	07384180
Law Debenture Intermediary Corporation p.l.c.	UK	01525148
Law Debenture Trustees Limited	UK	00625705
Safecall Limited	UK	03769031
L.D.C. Trust Management Limited	UK	01234879
Pegasus Pensions p.l.c.	UK	11429849
Law Debenture Corporate Services Limited (for the year ended 31 December 2022)	UK	03388362

In addition to this, the Company has provided a Letter of Support to the Directors of certain subsidiaries to confirm its continued commitment to the subsidiaries for a period of not less than 12 months.

Basis of preparation

The financial statements of The Law Debenture Corporation p.l.c. and the Group have been prepared in accordance with United Kingdom adopted international accounting standards and with International Financial Reporting Standards as issued by the IASB.

The accounts have been prepared under the historical cost basis of accounting, modified to include the revaluation of investment at fair value at the end of each reporting period as explained in the accounting policies below.

The assets, liabilities and contingent liabilities of subsidiaries and businesses are measured at their fair values at the date of acquisition. Any excess consideration over the fair values of the identifiable net assets acquired is recognised as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. The financial statements of subsidiaries are adjusted, where necessary, to ensure the accounting policies used are consistent with those adopted by the Group.

Climate risks have been considered in the preparation of these financial statements. Following a review of the potential impact of climate risk on the Company's financial statements, the Directors are satisfied there is no adjustment required to the carrying value of assets and liabilities.

Where presentational guidance set out in the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (issued July 2022) (SORP) is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The principal accounting policies adopted are set out below.

Going concern

The Directors have considered the impact of the current economic uncertainty, across the Group, including cash flow forecasting, balance sheet review at entity level, a review of covenant compliance including the headroom above the covenants and an assessment of the liquidity of the Portfolio. Whilst the debentures held are subject to covenants, the Directors are comfortable that the risk of breach is minimal, and the current economic environment does not create material uncertainty for the Group.

The assets of the Group consist largely of securities that are readily realisable, and it will be able to meet its financial obligations, including the repayment of the debenture interest, as they fall due for a period of at least twelve months from the date of approval of the financial statements.

1. Summary of significant accounting policies continued

Going concern continued

Accordingly, the Directors believe that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements.

Having assessed these factors and the principal risks, the Directors are not aware of any other material uncertainties that cast significant doubt on the Group's ability to continue as a going concern.

Adoption of new and revised IFRS Standards

The following revised IFRS Accounting Standards have been implemented by the Group during the year:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies; and
- Amendments to IAS 8 Accounting Polices, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates.

These have not had a material impact on the Group's Financial Statements.

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) – effective 1 January 2024
- Amendment to IAS 21 The Effect of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments to IAS 21) – effective 1 January 2025
- Non - current Liabilities with Covenants (Amendments to IAS 1) – effective 1 January 2024
- IFRS S1 General Requirements for Sustainability – related Financial Information – effective 1 January 2024
- IFRS S2 Climate – related Disclosures – effective 1 January 2024

The standards, amendments or interpretations listed above are not expected to have a material impact on the Group.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Presentation of income statement and statement of comprehensive income

In order to better reflect the activities of an investment trust company and in accordance with the SORP, supplementary information which analyses the income statement and statement of comprehensive income between items of a revenue and capital nature has been presented. Additionally, the net revenue is the measure the Directors believe appropriate in assessing the Group's compliance with certain requirements set out in Sections 1158-1159 of the Corporation Tax Act 2010.

The allocation of investment trust finance costs and investment management fees between the revenue and the capital columns in the income statement reflects the expected split of future returns between income and capital. The proportional split is:

- Revenue 25% (2022: 25%)
- Capital 75% (2022: 75%).

Segment reporting

Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the Directors in deciding how to allocate resources and in assessing performance. The Executive Leadership team, comprising the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer are together the Chief Operating Decision Makers of the Group and determine the appropriate operating segments to monitor financial performance. They have determined that the Group comprises two reportable operating segments; the Portfolio and independent professional services (IPS) business, determined by the management information reviewed by the Board. We believe these are distinctive in nature due to their inherent characteristics.

1. Summary of significant accounting policies continued

Segment reporting continued

The IPS business derives its revenue from providing services to clients. On the contrary, the Portfolio derives dividend income from investments held. Additionally, it aims to create value for investors through long-term capital growth. It is these characteristics that distinguishes the group into two clear segments.

The Board evaluates segmental performance based on revenue, profit before tax, along with segment assets and liabilities and APMs of the investment trust detailed on pages 155 to 157.

Foreign currencies

Transactions recorded in foreign currencies are translated into sterling at the exchange rate ruling on the date of the transaction.

Assets and liabilities denominated in foreign currencies at the reporting date are translated into sterling at the exchange rate ruling at that date. Gains and losses on translation are included in profit or loss for the period, however exchange gains or losses on investments held at fair value through profit or loss are included as part of their fair value gain or loss.

The assets and liabilities of overseas subsidiaries are translated at exchange rates prevailing on the reporting date. Income and expenses of overseas subsidiaries are translated at the average exchange rates for the period. Exchange differences arising from the translation of net investment in foreign subsidiaries are recognised in the statement of comprehensive income and transferred to the Group's translation reserve.

Revenue recognition

The Group generates revenue from the investment trust and the IPS business. Revenues are largely generated in the form of dividend income from the Portfolio of the investment trust, and also from delivering professional services to clients from the individual IPS business comprising, Company Secretarial Services, Corporate Trust, Pensions and Pegasus, Safecall and Service of Process.

Investment Trust

Dividend Income

Dividend income from investments is recognised when the Company's right to receive payment have been established, typically on the ex-dividend date in accordance with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (issued July 2022) (SORP). Dividend income is recognised as revenue, except where, in the opinion of the Directors, its nature indicates it should be recognised as capital.

Dividend income is accounted for on the basis of income actually receivable, without adjustment for any tax credit attaching to the dividends, with the exception of overseas dividends which are shown gross of withholding tax.

Where the Company has elected to receive its dividends in the form of additional shares rather than in cash (scrip dividends), the amount of the cash dividend foregone is recognised as income.

Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in capital.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Independent Professional Services

The Group recognises revenue in accordance with IFRS 15 Revenue from Contracts with Customers. Revenue is recognised in any period based on the delivery of performance obligations and an assessment of when control is transferred to the customer. Revenue excludes value added tax and includes recoverable expenses incurred which are recoverable from customers. Recoverable expenses include disbursements expected to be recovered from customers.

There are lots of different types of services offered within each business, however, performance obligations tend to be consistent for each type of fee charged.

The transaction price is the total amount of consideration to which the Group expects to be entitled to in exchange for transferring goods or services to a customer. The amount of consideration the Group receives can vary depending on the nature of the service and customer.

The transaction price can be based on one or more principal pricing mechanisms:

- Time at a contracted charge out rate and recoverable expenses
- Annual fixed fees
- Acceptance and appointment fees
- Special fees/out of scope fee.

1. Summary of significant accounting policies continued

Revenue recognition continued

Revenue is recognised when the Group has satisfied performance obligations by transferring control of services to customers. Progress is measured in satisfying the performance obligations as follows:

- For time-based arrangements, the output method is used to measure progress and the practical expedient within IFRS 15 is utilised, allowing revenue to be recognised at the amount which the Group has the right to invoice its customers, since that amount corresponds directly with the value to the customer of the Group's performance completed to date.
- Annual fees – For the majority of contracts, the performance obligations are satisfied throughout the period as the services are provided, the output method is used to measure progress here based on time-elapsed and revenue is recognised on a straight-line basis. For other certain contracts, the substance of the performance obligations is to "stand-ready" to serve the customer and is satisfied over time where value is transferred to the customer over time.
- Acceptance and appointment fees – There are contracts where separate performance obligations relating to acceptance fees have been identified where these are capable of being distinct and the pattern of delivery differs to the remainder of the performance obligation(s) within the contract. Revenue is recognised at a point in time, for example, upon creation of the Trust or Structure, which accurately reflects the benefits received by the customer.
- Special fees / out of scope fees – typically relate to additional services provided outside of the scope of the annual contractual agreements. These services are capable of being distinct and are considered a separate performance obligation. Revenue is recognised at a point in time, i.e., once the service has been delivered to the client, reflecting the incremental benefits transferred to the customer.

The Group typically invoice on a monthly, quarterly, or annual basis and payment terms can vary depending on the nature of the services provided. Where revenue is invoiced in advance of fulfilling the performance obligation, it is deferred, and a contract liability is recognised. Only when the performance obligations have been satisfied is the revenue released and recognised in the Income Statement.

Where performance obligations have been satisfied but the Group's right to consideration is conditional upon something other than the passage of time, such as the final billing amount being agreed with the customer prior to the amounts being billed, a contract asset is recognised. These are subsequently classified as trade receivables when the customer has been invoiced in accordance with the contractual terms.

For certain contracts with customers, there is a provision for annual transaction price increases, generally in line with local inflation. These increases do not change the performance obligations, and the increased prices are applied prospectively when revenue is recognised.

The Group has determined that no significant financing component exists in respect of its professional services as the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group has no material exposure to returns or refunds, nor does it have warranties or other related obligations.

Property, plant and equipment and right-of-use assets

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives.

Right-of-use assets are measured at cost less accumulated depreciation. The carrying amount is adjusted for any re-measurement of the lease liability.

Office improvements	over the remaining lease period – rental terms are for fixed periods of between 1 to 10 years
Furniture and equipment	3-10 years
Right-of-use assets	over the remaining lease period – rental terms are for fixed periods of between 1 to 10 years

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The consideration transferred in the acquisition is measured at the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Goodwill is not amortised but is reviewed for impairment annually (refer to Goodwill section

1. Summary of significant accounting policies continued

Business combinations continued

below). Any gain on a bargain purchase is recognised in profit or loss immediately. Acquisition-related costs are recognised in profit or loss as incurred. Where applicable, any contingent consideration payable is measured at fair value at the acquisition date. Subsequent changes in fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (which is subject to a maximum of one year). Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS3 'Business Combinations' are recognised at their fair value at the acquisition date, except where a different treatment is mandated by another standard.

Intangible assets

Computer software
Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives of between three and five years.

IT project costs
IT project costs have been capitalised that relate to the development of new internal software. It is amortised on a straight-line basis from the commencement of its use, over the useful economic life of three years.

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of subsidiaries and businesses at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount. Any impairment would be recognised in profit or loss and is not subsequently reversed.

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination and recognised separately to goodwill are initially recognised at their fair value at the acquisition date and have finite useful lives. Following initial recognition, intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses (where applicable). The Group does not have intangible assets with indefinite useful lives.

Customer relationships can arise on the acquisition of subsidiaries and businesses and represent the incremental value expected to be gained as a result of the existing contracts transferred as part of the acquired business. These assets are amortised over the length of the average length of the related contracts.

Amortisation is recognised in the income statement on a straight-line basis over their estimated useful lives. The estimated useful lives for Customer Relationships is eight years.

For the newly acquired intangibles relating to business combinations, please see note 12.

Impairment of assets

The Group reviews the carrying amounts of its tangible and intangible assets (including goodwill) on a regular basis, and at a minimum at each reporting date, to assess whether there is any indication of impairment loss, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceed its recoverable amount. An impairment loss is recognised immediately in profit or loss.

For details on goodwill impairment and how the recoverable amount is determined see note 10.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Initial recognition
Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

1. Summary of significant accounting policies continued

Financial instruments continued

Classification and subsequent measurement

Financial assets
All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Investments
Listed and unlisted investments which comprise the Portfolio, have been classified at fair value through profit or loss. Purchases and sales of listed and unlisted investments are recognised on the date on which the Group commits to purchase or sell the investment. Investments are initially recognised at fair value and transaction costs are expensed as incurred. Gains and losses arising from listed and unlisted investments, as assets at fair value through profit or loss, are included in the income statement in the period in which they arise. The Group has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. Transaction costs are expensed immediately.

The fair value of listed investments is based on quoted market prices at the reporting date. The quoted market price used is the bid price. The fair value of unlisted investments is determined by the Directors with reference to the International Private Equity and Venture Capital Valuation (IPEV) guidelines (December 2018).

Gains and losses on investments and direct transaction costs are analysed within the income statement as capital. All other costs of the investment trust are treated as revenue items.

Trade receivables
Trade receivables are recognised initially at transaction price and subsequently measured at amortised cost less any provision for impairment and expected credit losses, to ensure that amounts recognised represent the recoverable amount.

Contract assets
Contract assets represent revenue recognised in satisfying performance obligations, where the Group's right to consideration is conditional upon something other than the passage of time, such as the final billing amount being agreed with the customer prior to the amounts being billed. These are subsequently classified as trade receivables when the customer has been invoiced in accordance with the contractual terms.

Inter-company
During the previous year, the Company entered into a master netting agreement in relation to inter-company payables and receivables. The Company intends to settle the net inter-company amounts with counter-parties in the current period. The Company and each of its subsidiaries has a legally enforceable right to offset all assets and liabilities due to/from other group companies and intends to settle all amounts net. Due to the nature of the asset, the Group has assessed that no loss allowance is required to be recognised for expected credit losses on amounts due from Group undertakings.

Impairment of financial assets
The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses trade receivables are grouped based on similar risk characteristics including business area and ageing.

The expected loss rates are based on the Group's historical credit losses experienced over a three-year period prior to the year end. The historical loss rates are adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified gross domestic product (GDP) and unemployment trends act as key economic indicators which may impact our customers' future ability to pay debt.

Write off policy
Outstanding trade receivables are reviewed by management on a regular basis to assess their recoverability and ability to pay. The Group writes off a financial asset when there is no reasonable expectation of recovery. Any recoveries made are recognised in profit or loss.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

1. Summary of significant accounting policies continued

Financial instruments continued

Financial liabilities

Long-term borrowings are recognised initially at fair value, which are generally the proceeds net of transaction costs incurred. The difference between the proceeds net of transaction costs and the redemption value will continue to be recognised in the income statement over the term of the borrowings using the effective interest rate method.

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the ‘interest receivable and similar income’ line item (note 5).

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less, subject to insignificant changes in fair value.

Share capital

Ordinary shares are classified as equity. The ordinary shares of the Company which have been purchased by the Employee Share Ownership Trust (ESOT) to provide share based payments to employees are valued at cost and deducted from equity.

Taxation

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense which are either never taxable or deductible or are taxable or deductible in other periods. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

1. Summary of significant accounting policies continued

Financial instruments continued

The carrying amount of deferred tax assets is reviewed at each year end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to recover the asset.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is expected to be settled or the asset is expected to be realised based on tax rates that have been enacted or substantively enacted at the year end date.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to do so and presented as a net number on the face of the balance sheet.

Investment in subsidiaries
Investments in subsidiaries are carried at cost less provision for impairment.

Employee benefits

Pension costs
The Group operates a defined benefit pension plan, which was closed to future accrual on 31 December 2016. The cost of providing benefits under the plan is determined using the projected unit credit method, with independent actuarial calculations being carried out at each year end date. Actuarial gains and losses are recognised in full in the period in which they occur through other comprehensive income.

The asset recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the year end date less the fair value of the plan assets.

In addition the Group operates defined contribution plans, where the cost recognised is the contributions paid in respect of the year.

Profit share schemes
The Group recognises provisions in respect of its profit share schemes when contractually obliged or when there is a past practice that has created a constructive obligation.

Trade receivables
Trade receivables are recognised initially at transaction price and subsequently measured at amortised cost less any provision for impairment and expected credit losses, to ensure that amounts recognised represent the recoverable amount.

Share based plans
The Group issues equity-settled share-based payments to certain employees. whereby the shares are deferred for a three-year period. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effects of non-market-based vesting conditions.

The Group also awards share options to executives. In 2022 the Group introduced a long-term performance incentive plan (LTIP) to executives in addition to annual bonus following the completion of a required service period and is dependent on the achievement of corporate performance and individual targets. Options are normally exercisable between 3 to 5 years from the date of grant for nil consideration. Full details of this plan can be found in the Directors' remuneration report.

Reserves

A description of each of the reserves follows:

Share premium
This reserve represents the difference between the issue price of shares and the nominal value of shares at the date of issue, net of related issue costs.

Capital redemption
This reserve was created on the cancellation and repayment of the Company's share capital.

Own shares
This represents the cost of shares purchased by the ESOT.

Capital reserves
The following are dealt with through this reserve:

- gains and losses on realisation of investments; and
- changes in fair value investments which are readily convertible to cash.

1. Summary of significant accounting policies continued

Reserves continued

Retained earnings
Net revenue profits and losses of the Company and its subsidiaries and the fair value costs of share based payments which are revenue in nature are dealt with in this reserve.

Translation reserve
This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Leases

The Group determines at contract inception whether an arrangement contains a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group leases various office properties. Rental contracts are typically made for fixed periods of 1 to 10 years and lease terms are negotiated on an individual basis.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets (under £5,000); and
- Leases with a duration of 12 months or less.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used. Generally, the Group uses its incremental borrowing rate as the Group's borrowing rate which was updated during the year following the issuance of a further two debentures, lowering the rate to 3.966% (previously 4.589%). Where there has been a lease modification and/or a new lease arrangement entered into, this rate has been applied.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change to future lease payments arising from a change in an index rate, a change in the estimate of the amount expected to be payable under the residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

Further detail on leases is provided in note 22 of the accounts.

Dividend distribution

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when paid. In the case of final dividends, this is when approved by the shareholders.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of the financial statements requires the exercise of judgement both in application of accounting policies which are set out below and in the selection of assumptions used in the calculation of estimates. These estimates and judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. However, actual results may differ from these estimates.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have the most significant effect on the amounts recognised in the consolidated financial statements are discussed below.

1. Summary of significant accounting policies continued

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of The Law Debenture Corporation p.l.c. and entities controlled by the Company (its subsidiaries and businesses) made up to the end of the financial period. Management has not applied the IFRS 10, 'Consolidated Financial Statements' investment entity exemption available and therefore the financial statements of the Law Debenture Corporation p.l.c. and its subsidiaries continue to be consolidated.

The subsidiaries of the Group comprise the IPS trading companies and the IPS business has historically, and continues to be, managed, and operated as an integrated business within the Group. In addition to the investment trust, The Law Debenture Corporation p.l.c Board plays an active role in the oversight of the IPS business.

A judgement has been made by Management that the Company does not meet the criteria for the investment entity exemption, on the basis that the IPS business is viewed by management and the Board as a distinct trading group, rather than as a portfolio investment for the Company. This view is consistent with that held in previous reporting periods and there have been no material changes to the Group or its operations during the current reporting period.

The company controls an investment if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Key sources of estimation uncertainty

Impairment of goodwill
At each reporting period an assessment is performed in order to determine whether there are any goodwill impairment indicators. This assessment considers the performance of the IPS business and any significant changes to the markets in which we operate and involves an estimation of the expected value in use of the assets (or cash generating units (CGU) to which the asset relates).

The value in use calculation involves an estimation of future cash flows and the selection of appropriate discount rates, both of which involve considerable judgement. The future cash flows are derived from the proceeding financial year, with the key assumptions being revenue growth rates, gross margins and operating costs (including management's estimation of costs borne by other group companies for overheads and central costs recharged to the CGU), as well as terminal growth and discount rates. No additional specific adjustments have been made to the cash flows used in assessing the value in use of assets. Discount rates are calculated with reference to the Group's pre-tax weighted average cost of capital.

There continues to be headroom across all CGUs and as detailed in note 10, sufficient headroom remains even when reasonable changes to discount and growth rates are applied. However, a high degree of judgement remains in estimating future cash flows.

No impairment was recognised in the year ended 31 December 2023 (2022: £nil).

IPS Valuation
The valuation of the IPS business is an area which requires judgment and estimation. This is discussed in depth on page 35. PwC are employed to provide external advice relating to the multiple used in the valuation of this (i.e. multiple applied to EBITDA), which is based on comparable companies. This is then cross-checked by management using a discounted cash flow model.

2. Net capital gain/(loss) on investments

	2023 £000	2022 £000
Realised (losses)/gains based on historical cost	(18,797)	51,984
Amounts recognised as unrealised in previous years	12,119	(36,288)
Realised (losses)/gains based on carrying value at previous year end date	(6,678)	15,696
Unrealised gains/(losses) on investments	44,057	(141,930)
Net capital gain/(loss) on investments	37,379	(126,234)

3. Administrative expenses

	2023 £000	2022 £000
Administrative expenses include:		
Salaries and Directors' fees	22,938	20,137
Social security costs	2,286	2,112
Other pension costs	1,736	1,746
	26,960	23,995
Investment management fee[1]	584	566
Depreciation – property, plant and equipment	403	328
Depreciation – right-of-use assets	891	931
Amortisation – intangible assets	892	675
Interest on lease liabilities	267	294
Net foreign exchange loss/(gain)	365	25
Auditors' remuneration	746[2]	660
Other property costs	1,032	801
IT infrastructure	1,380	1,163
Business development	338	250
Professional fees	2,171	1,156
Other expenses	3,679	3,488
Administrative expenses	39,708	34,332

1 25% of the management fee is charged to revenue, and 75% to capital reserves, to better reflect the expected split of future returns between income and capital. Further details are given in note 1 on page 118.
2 This figure does not reflect the likely reduction in audit fees of £72k arising from subsidiaries exemptions.

During the year, the Group employed an average of 288 staff (2022: 253). All staff are engaged in the provision of independent professional services. The Company has no employees.

Details of the terms of the investment management agreement are provided on page 33 of the strategic report.

Administrative expenses charged to capital are transaction costs and foreign exchange differences on the purchase of investments held at fair value through profit or loss.

3. Administrative expenses continued

A more detailed analysis of the auditors' remuneration on a worldwide basis is provided below:

	2023 £000	2022 £000
Audit services		
– fees payable to the Group's auditors for the audit of its financial statements	314	239
– fees payable for the audit of the accounts for subsidiaries of the Company	407	356
– audit related regulatory	25	65
	746	660

A description of the work of the Audit and Risk Committee is set out in the Audit and Risk Committee report on pages 74 to 77 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

4. Remuneration of Directors (key management personnel)

The remuneration of the Directors, who are the key management personnel of the Group, comprises the following:

	2023 £000	2022 £000
Short-term benefits including fees in respect of Directors	1,541	1,300
Deferred share bonus scheme	131	110
	1,672	1,410

Details for each individual Director are shown in the remuneration report on pages 79 to 98.

5. Interest

	2023 £000	2022 £000
Interest Income		
Interest on bank deposits	126	111
Returns on money market funds	1,071	155
	1,197	266
Interest Payable		
Interest on long-term debt – revenue	(1,635)	(1,636)
Interest on long-term debt – capital	(4,908)	(4,908)
Total	(6,543)	(6,544)
Net interest payable	(5,346)	(6,278)

6. Segment analysis

	Investment Portfolio		Independent Professional Services		Total	
	31 December 2023 £000	31 December 2022 £000	31 December 2023 £000	31 December 2022 £000	31 December 2023 £000	31 December 2022 £000
Revenue						
Dividend income	33,504	34,464	—	—	33,504	34,464
IPS revenue:						
Corporate Services	—	—	25,041	25,792	25,041	25,792
Corporate Trust	—	—	16,043	13,292	16,043	13,292
Pensions	—	—	17,459	14,368	17,459	14,368
Segment revenue	33,504	34,464	58,543	53,452	92,047	87,916
Other income	1,369	847	—	—	1,369	847
Cost of sales	(221)	(125)	(8,034)	(8,283)	(8,255)	(8,408)
Administration costs	(4,271)	(3,522)	(35,437)	(30,810)	(39,708)	(34,332)
Profit before interest and tax	30,381	31,664	15,072	14,359	45,453	46,023
Interest payable (net) (note 5)	(1,302)	(1,432)	864	62	(438)	(1,370)
Profit before tax	29,079	30,232	15,936	14,421	45,015	44,653
Income tax	—	—	(1,626)	(1,392)	(1,626)	(1,392)
Profit for the year	29,079	30,232	14,310	13,029	43,389	43,261
Revenue return per ordinary share (pence)	22.41	24.06	11.02	10.38	33.43	34.44
Assets	980,587	922,080	82,056	84,640	1,062,643	1,006,720
Liabilities	(176,314)	(176,377)	(32,100)	(31,276)	(208,414)	(207,653)
Total net assets	804,273	745,703	49,956	53,364	854,229	799,067

The table below shows the Group's revenue from contracts with customers by business:

	Gross Revenue		Cost of sales		Net Revenue	
	31 December 2023 £000	31 December 2022 £000	31 December 2023 £000	31 December 2022 £000	31 December 2023 £000	31 December 2022 £000
Pensions	17,459	14,368	(63)	(25)	17,396	14,343
Corporate Trust	16,043	13,292	(3,570)	(2,672)	12,473	10,620
Corporate Services	25,041	25,792	(4,401)	(5,586)	20,640	20,206
Total IPS revenue	58,543	53,452	(8,034)	(8,283)	50,509	45,169

For the purposes of reporting segmental performance, the table above presents a split of the revenue column between the Portfolio, the IPS business and Group charges. Group dividends are paid from the Portfolio segment of revenue reserves.

Geographic location of revenue: 90% of revenue is based in the UK. Geographic location is based on the jurisdiction in which the contracting legal entity is based.

Major customers: Due to the diverse nature of the IPS revenue streams, there is no single customer or concentration of customers that represents more than 3% of gross revenue streams.

Capital element: The capital element of the income statement is wholly gains and losses relating to investments held at fair value through profit and loss (2023: profit of £37,379k; 2022: loss of £126,234k), administrative expenses (2023: £2,075k; 2022: £1,908k), interest payable (2023: £4,908k; 2022: £4,908k) and a capital dividend received of 2023: £1,368k; 2022: £3,442k, which corresponds to amounts classified as capital in nature in accordance with the SORP are shown in the capital column of the income statement on page 112.

Details regarding the segments are included on page 1 – Group summary and in note 1 – Segment reporting on pages 118 and 119.

6. Segment analysis continued

	Investment Portfolio		Independent Professional Services		Total	
	31 December 2023 £000	31 December 2022 £000	31 December 2023 £000	31 December 2022 £000	31 December 2023 £000	31 December 2022 £000
Other information						
Capital expenditure	—	—	1,319	745	1,319	745
Depreciation and amortisation	—	—	1,295	1,003	1,295	1,003
Depreciation – right-of-use assets	—	—	891	931	891	931

7. Income tax

	2023 £000	2022 £000
Taxation based on revenue for the year comprises:		
UK Corporation tax at 23.5% (2022: 19.0%)	1,013	620
Foreign tax charge	169	431
Total current tax charge	1,182	1,051
Deferred tax charge	444	341
Charge for the year	1,626	1,392

For the current year, the calculation of Corporation tax takes into accounts a weighted average of tax rates, where 25% and 19% were applied, resulted in an average tax of 23.5%.

Taxation

The charge for the year can be reconciled to the profit before tax as follows:

	2023 £000	2022 £000
Profits before taxation	76,779	(84,955)
Tax on ordinary activities at standard rate 23.5% (2022: 19.0%)	18,043	(16,141)
Effects of:		
Permanent tax adjustments	(52)	(52)
Higher rates of tax on foreign income	(275)	200
Non-taxable capital (gains)/losses	(9,106)	23,371
Tax credit on dividend income	(7,873)	(6,548)
Limit on Group relief for UK interest expense	295	418
Prior year (over)/under provision in respect of current tax	150	(197)
Total current tax charge	1,182	1,051

The Group expects that a substantial portion of its future income will continue to be in the form of dividend receipts and capital gains and losses, which constitute non-assessable income. On this basis, the Group tax charge is expected to remain significantly different to the standard UK rate of 25%.

7. Taxation continued

Deferred Tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

GROUP Deferred tax assets/(liabilities)	Accelerated tax depreciation £000	Retirement benefit obligations £000	Total £000
At 31 December 2021	195	(1,255)	(1,060)
(Charge) to income	(132)	(209)	(341)
Credit/(charge) to other comprehensive income	—	57	57
At 31 December 2022	63	(1,407)	(1,344)
Credit/(charge) to income	269	(713)	(444)
Credit/(charge) to other comprehensive income	—	—	—
At 31 December 2023	332	(2,120)	(1,788)

In accordance with the applicable accounting policy, deferred tax is calculated at the tax rates that are expected to apply to the reversal. Foreign taxes reflect the current rate, whilst UK taxes are at the enacted rate of 25%. A deferred tax asset has not been recognised in respect of foreign losses of £1,745,228 (2022: £1,803,555) as their usability cannot be predicted with reasonable certainty. There is no expiry date for these amounts.

The effective tax rate changed from 19% to 25% effective in the 2023 tax year following the legislative changes to the Finance Act 2021.

8. Dividends on ordinary shares

	2023 £000	2022 £000
Dividends on ordinary shares comprise the following:		
2023 Interims† 22.875p (2022: 21.75p)	29,957	27,612
2022 Final 8.75p (2021: 8.375p)	11,276	10,396
Total	41,233	38,008

† 2023 interim dividends were paid in July 2023, October 2023 and January 2024.

Proposed final dividend for the year ended 31 December 2023

The proposed dividend is payable to all shareholders on the Register of Members on 8 March 2024. The total estimated dividend to be paid is 9.125p per share.

Set out below is the total dividend payable in respect of the financial year, which is the basis on which the requirements of Sections 1158-1159 of the Corporation Tax Act 2010 are considered.

	2023 £000	2022 £000
2023 Interims† 22.875p (2022: 21.75p)	29,957	27,612
2023 Final 9.125p (2022: 8.75p)	11,971	11,295
Total	41,928	38,907

† 2023 interim dividends were paid in July 2023, October 2023 and January 2024.

On this basis, The Law Debenture Corporation p.l.c. satisfies the requirements of Sections 1158-1159 of the Corporation Tax Act 2010, as an approved investment trust company.

9. Net asset value/return per share

NAV per share is calculated based on 130,602,252 (2022: 127,685,028) shares, being the total number of shares on issue of 131,191,892 (2022: 128,172,019), less 589,640 (2022: 486,991) shares, acquired by the ESOT on the open market. The net asset value of £1,048,304,000 (2022: £972,566,000) comprises the NAV per the balance sheet of £854,229,000 (2022: £799,067,000) plus the fair value adjustment for the IPS business of £160,836,000 (2022: £148,376,000), less the fair value adjustment for the debt of £33,239,000 (2022: (£25,123,000)).

Revenue return per share is based on profits attributable of £43,388,000 (2022: £43,261,000).

Capital gain per share is based on capital gains for the year of £31,764,000 (2022: losses £129,608,000).

Total return per share is based on net profit for the year of £75,153,000 (2022: loss £86,347,000).

The calculations of returns per share are based on 129,785,836 (2022: 125,628,620) shares, being the weighted average number of shares in issue during the year after adjusting for shares owned by the ESOT. In 2023, total revenue and capital diluted returns per share were calculated using 129,811,509 shares (2022: 125,659,676 shares), being the diluted weighted average number of shares in issue assuming exercise of options at less than fair value. There were nil (2022: nil) antidilutive shares.

10. Goodwill

GROUP	2023 £000	2022 £000
Cost		
At 1 January	19,509	19,396
Additions	—	—
Foreign exchange	(52)	113
At 31 December	19,457	19,509
Accumulated impairment losses		
At 1 January	473	423
Foreign exchange	(22)	50
At 31 December	451	473
Net book value		
Net book value at 31 December	19,006	19,036

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units (CGU), being its operating business units. That is not the same as our reportable segments disclosed under note 6, with the identified CGU for goodwill being one level below that of a reportable operating segment. Cash flows at the business unit level are independent from the other cash flows and this is the lowest level at which goodwill is monitored by the Board. The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

GROUP	Balance at 1 January 2023 £000	Business Combinations £000	Movements in exchange rates £000	Impairment £000	Balance at 31 December 2023 £000
CGU Safecall	1,419	—	—	—	1,419
CGU Delaware Corporate Services (DCS)	580	—	(30)	—	550
CGU CSS	17,037	—	—	—	17,037
Total	19,036	—	(30)	—	19,006

10. Goodwill continued

GROUP	Balance at 1 January 2022 £000	Business Combinations £000	Movements in exchange rates £000	Impairment £000	Balance at 31 December 2022 £000
CGU Safecall	1,419	—	—	—	1,419
CGU Delaware Corporate Services (DCS)	517	—	63	—	580
CGU CSS	17,037	—	—	—	17,037
Total	18,973	—	63	—	19,036

At 31 December 2023 the goodwill in relation to the CGU was reviewed and tested for impairment. The review assessed whether the carrying value of the goodwill exceeded its recoverable amount. The recoverable amount of a CGU is the greater of its value in use and its fair value less costs to sell. The basis of the recoverable amount used in the impairment tests for the CGU's is the value in use. In assessing value in use, being the net present value of future cash flows, based on management's financial budgets for 2024 and financial forecasts that do not extend beyond five years. The key assumptions in preparing these forecasts are revenue growth rates, gross margins and operating costs, as well as terminal growth and discount rates. The methodology applied is in line with those tests performed in the prior period.

For each of the CGUs, the recoverable amount valuations indicated sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

The key quantifiable assumptions applied in the impairment review are set out below:

GROUP	Discount Rate 2023 %	Discount Rate 2022 %	Short-term growth rates 2023 %	Short-term growth rates 2022 %	Terminal growth rates 2023 %	Terminal growth rates 2022 %
CGU Safecall	10.5	10.5	8.0	8.0	5.0	2.0
CGU DCS	10.5	10.5	8.0	8.0	5.0	2.0
CGU CSS	10.5	10.5	8.0	8.0	5.0	2.0

Discount rate

The discount rate of 10.5% applied to projected cash flows is derived from the Group's pre-tax weighted average cost of capital. These rates are reviewed annually by the Board along with those provided by external advisors.

Terminal growth rates

The calculations include a terminal value based on the projections for the fifth year of the forecasted cash flows, with a growth rate assumption applied which extrapolates the business into perpetuity. The terminal growth rates have previously been based on expected long-term inflation. These have been updated to include the long-term average growth rates of the services provided, aligned with management's future expectation of long-term average growth rate.

Short-term growth rates

The annual impairment test is performed immediately prior to the year end, based on five-year cash flow forecasts using the Board approved 2024 budget and applying short-term growth rates. The revenue and margin growth rates are based on past performance with consideration given to market trends and strategic decisions in respect of the CGU. Despite plans for strong growth and a target operating model implemented during 2023, a lower growth rate has been applied, in line with prior years, for the purpose of goodwill impairment testing. Operating costs are based on the Group's current structure and adjusted for inflationary measures. These short-term growth rates have been applied to each CGU for the purpose of the goodwill impairment testing.

Sensitivity analysis

Sensitivity analysis has been performed for each goodwill asset, applying a 2% increase in discount rates and a 3% reduction in the short term growth rates which are considered to be reasonably possible.

The impact of a 3% reduction in the short term growth rates does not lead to an impairment in any CGU.

A 2% increase in the discount rate to 12.5% may result in an impairment to the CSS CGU of £1.6m.

A reduction of 3% in the terminal growth rates to 2% may result in an impairment to the CSS CGU of £2.3m.

For the recoverable amount to equal the carrying amount, there would need to be a reduction of £4.4m.

10. Goodwill continued

Sensitivity analysis continued

This may be caused by:

- A reduction of 3.4% in the average short term growth rate from 8.0% to 4.6%;
- An increase of 1.3% in the discount rate from 10.5% to 11.8%.

11. Property, plant and equipment

	2023			2022		
GROUP	Office improvements £000	Furniture and equipment £000	Total £000	Office improvements £000	Furniture and equipment £000	Total £000
Cost						
At 1 January	114	2,498	2,612	83	2,440	2,523
Additions at cost	3	871	874	92	58	150
Disposals at cost	(18)	(37)	(55)	(61)	—	(61)
Foreign exchange	—	(7)	(7)	—	—	—
At 31 December	99	3,325	3,424	114	2,498	2,612
Accumulated depreciation						
At 1 January	75	741	816	83	466	549
Charge	27	376	403	53	275	328
Disposals at cost	(53)	(2)	(55)	(61)	—	(61)
Foreign exchange	—	(7)	(7)	—	—	—
At 31 December	49	1,108	1,157	75	741	816
Net book value						
Net book value at 31 December	50	2,217	2,267	39	1,757	1,796

The Company holds no property, plant and equipment.

12. Other intangible assets

	2023				2022			
GROUP	Computer Software £000	IT project Costs £000	Customer Relationships £000	Intangible Total £000	Computer Software £000	IT project Costs £000	Customer Relationships £000	Intangible Total £000
Cost								
At 1 January	1,166	1,546	2,979	5,691	1,183	968	2,963	5,114
Additions at cost	54	455	—	509	—	578	16	594
Disposals at cost	—	—	—	—	(17)	—	—	(17)
At 31 December	1,220	2,001	2,979	6,200	1,166	1,546	2,979	5,691
Accumulated amortisation								
At 1 January	1,151	413	710	2,274	1,138	121	340	1,599
Charge for the year	1	521	370	892	13	292	370	675
At 31 December	1,152	934	1,080	3,166	1,151	413	710	2,274
Net book value								
Net book value at 31 December	68	1,067	1,899	3,034	15	1,133	2,269	3,417

13. Investments

Investments held at fair value through profit or loss

GROUP	2023 Listed £000	2023 Unlisted £000	2023 Total £000	2022 Listed £000	2022 Unlisted £000	2022 Total £000
Opening cost at 1 January	880,982	9,711	890,693	811,314	3,431	814,745
Gains at 1 January	3,112	(2,800)	312	176,104	1,629	177,733
Opening fair value at 1 January	884,094	6,911	891,005	987,418	5,060	992,478
Investments delisted in the current year	—	—	—	(1,277)	1,277	—
Purchases at cost	99,250	—	99,250	166,198	5,000	171,198
Cost of acquisition	(316)	—	(316)	(545)	—	(545)
Sales – proceeds	(62,093)	—	(62,093)	(145,892)	—	(145,892)
– realised gains on sales	(18,796)	—	(18,796)	51,984	—	51,984
Gains/(losses) in the income statement	56,948	(772)	56,176	(173,792)	(4,426)	(178,218)
Closing fair value at 31 December	959,087	6,139	965,226	884,094	6,911	891,005
Closing cost at 31 December	899,027	9,711	908,738	880,982	9,711	890,693
Gains	60,060	(3,572)	56,488	3,112	(2,800)	312
Closing fair value at 31 December	959,087	6,139	965,226	884,094	6,911	891,005

Investments held at fair value through profit or loss

COMPANY	2023 Listed £000	2023 Unlisted £000	2023 Total £000	2022 Listed £000	2022 Unlisted £000	2022 Total £000
Opening cost at 1 January	880,982	9,611	890,593	811,314	3,331	814,645
Gains at 1 January	3,112	(2,800)	312	176,104	1,629	177,733
Opening fair value at 1 January	884,094	6,811	890,905	987,418	4,960	992,378
Investments delisted in the current year	—	—	—	(1,277)	1,277	—
Purchases at cost	99,250	—	99,250	166,198	5,000	171,198
Cost of acquisition	(316)	—	(316)	(545)	—	(545)
Sales – proceeds	(62,093)	—	(62,093)	(145,892)	—	(145,892)
– realised gains on sales	(18,796)	—	(18,796)	51,984	—	51,984
Gains/(losses) in the income statement	56,948	(772)	56,176	(173,792)	(4,426)	(178,218)
Closing fair value at 31 December	959,087	6,039	965,126	884,094	6,811	890,905
Closing cost at 31 December	899,027	9,611	908,638	880,982	9,611	890,593
Gains	60,060	(3,572)	56,488	3,112	(2,800)	312
Closing fair value at 31 December	959,087	6,039	965,126	884,094	6,811	890,905

Listed investments are all traded on active markets and as defined by IFRS 13 are Level 1 financial instruments. As such they are valued at unadjusted quoted bid prices. Unlisted investments are Level 3 financial instruments. They are valued by the Directors using unobservable inputs including the underlying net assets of the investments. Investments have been revalued over time and until they were sold, any unrealised gains/losses were included in the fair value of the investments.

The Group's direct interests in unconsolidated structured entities comprise investments in special purpose vehicles, including both Limited Companies and Public Limited Companies. The investments include both those entities managed by third parties and those managed by the Group on behalf of its' members where the Group acts as share Trustee under a Trust Deed Arrangement.

Given the nature of these investments, the Group's maximum exposure to loss is equal to the carrying value of the investment.

During the year the Group has not provided any non-contractual financial or other support to these entities and has no current intention of providing any financial or other support. There were no transfers from/to these unconsolidated collective investment vehicles and limited companies.

The Group earns fees from the provision of corporate services or corporate trust services, details of these are included and reported in note 6.

13. Investments continued

Investments in subsidiary undertakings – Company

	2023 £000	2022 £000
Cost		
At 1 January	61,368	61,368
Additions in year	—	—
At 31 December	61,368	61,368

Investments in subsidiaries are measured at cost less impairment. No impairment has been recognised in relation to the subsidiaries to date. The financial statements consolidate the results and financial position of the Group, including all subsidiary undertakings, which are listed in this note under section "subsidiaries and related undertakings".

The cost of subsidiary undertakings includes capital contributions and as a consequence is not comparable to the fair value of the IPS business.

Fair valuation of the IPS

The fair value of the IPS business relates to all of the wholly owned subsidiaries of the Company, with the exception of Law Debenture Finance p.l.c. The Directors have chosen to provide a fair valuation of the IPS business, which is not included within the financial statements, to assist the users of the Annual Report. The fair valuation is used in preparing performance data for the Group. The fair value is determined using unobservable inputs (including the Group's own data), which represent Level 3 inputs. The Directors' estimate of fair value uses the guidelines and methodologies on valuation published by the International Private Equity and Venture Capital Association.

The fair valuation of IPS is based upon the historic earnings before interest, taxation, depreciation and amortisation (EBITDA), an appropriate multiple and the surplus net assets of the business at their underlying fair value. The multiple applied in valuing IPS is from comparable companies sourced from market data, with appropriate adjustments to reflect the difference between the comparable companies and IPS in respect of growth, margin, size and liquidity.

Fair valuation of IPS	2023 £000	2022 £000
EBITDA at a multiple of 10.5x (2022: 10.5x)	185,063	174,174
Surplus net assets	25,729	27,566
Total	210,792	201,740

An increase or decrease of 1 in the multiple would give rise to a £18.5m change in the fair valuation of the IPS. The adjustment to NAV to reflect the IPS fair value is an increase of 123.15p per share (2022: 116.20p).

Subsidiaries and related undertakings

The following is a list of all of the subsidiaries within the Law Debenture Group. Each of them is 100% owned within the Group and has been consolidated in the Group accounts. Subsidiaries held directly by the Company are in bold. Unless indicated, all subsidiaries are incorporated and have their registered office in the United Kingdom. The addresses of overseas registered companies appear at page 159. All shares issued by Group subsidiaries are ordinary shares. The Company and the Group do not have any significant holdings in any qualifying undertakings other than the subsidiary undertakings listed below.

L.D. Pension Plan Trustee Limited

L.D.C. Trust Management Limited

Law Debenture Investment Management Limited

Law Debenture (Independent Professional Services) Limited

Beagle Nominees Limited

The Law Debenture Trust Corporation p.l.c.

The Law Debenture Pension Trust Corporation p.l.c.

Pegasus Pensions plc

Law Debenture Corporate Services Limited

Law Debenture Trustees Limited

The Law Debenture Intermediary Corporation p.l.c.

Law Debenture Overseas No. 1 Limited

Law Debenture Finance p.l.c.

Law Debenture Securitisation Services Limited

LDPTC Nominees Limited

Law Debenture Governance Services Limited

Safecall Limited

The Whistleblowing Company Limited

The Sole Trustee plc

The Law Debenture Corporation (Deutschland) Limited

13. Investments continued

L.D.C. Latvia Limited

Law Debenture Trustee for Charities

Law Debenture (No. 1 Scheme) Trust Corporation

Law Debenture (No. 3 Scheme) Pension Trust Corporation

The Law Debenture (No. 5) Trust Corporation

The Law Debenture (1996) Pension Trust Corporation

The Law Debenture (BAA) Pension Trust Corporation

The Law Debenture (BIS Management) Pension Trust Corporation

The Law Debenture (BIS Retirement) Pension Trust Corporation

The Law Debenture (Intel Old Plan) Pension Trust Corporation

The Law Debenture (SAPP) Pension Trust Corporation

The Law Debenture (JGRP) Pension Trust Corporation

The Law Debenture (JGSPS) Pension Trust Corporation

The Law Debenture (JIC) Pension Trust Corporation

The Law Debenture (KBPP) Pension Trust Corporation

The Law Debenture (KGPP) Pension Trust Corporation

The Law Debenture (Swiss Re GB) Trust Corporation

Law Debenture (GWR) Pension Trust Corporation

The Law Debenture (JGDBS) Pension Trust Corporation

ICI Pensions Trustee Limited

AstraZeneca Pensions Trustee Limited

ICI Specialty Chemicals Pensions Trustee Limited

RTL Shareholder SVC Limited

DLC SVC Limited

LDC (NCS) Limited

Terrier Services Limited

L.D.C. Securitisation Director No. 1 Limited

L.D.C. Securitisation Director No. 2 Limited

L.D.C. Securitisation Director No. 3 Limited

L.D.C. Securitisation Director No. 4 Limited

L.D.C. Corporate Director No. 1 Limited

L.D.C. Corporate Director No. 2 Limited

L.D.C. Corporate Director No. 3 Limited

L.D.C. Corporate Director No. 4 Limited

CD Corporate Director No. 1 Limited

LDC Nominee Secretary Limited

Westminster Aviation Holdings Limited

LDC (DANTC) Limited

Syngenta Pensions Trustee Limited

The Law Debenture Corporation (HK) Limited
(incorporated/registered office in Hong Kong)

Law Debenture Trust (Asia) Limited
(incorporated/registered office in Hong Kong)

The Law Debenture Trust Corporation (Channel Islands) Limited
(incorporated/registered office in Jersey)

The Law Debenture Trust Corporation (Cayman) Limited
(incorporated/registered office in the Cayman Islands)

Law Debenture Corporate Services Inc.
(incorporated/registered office in the USA)

Law Debenture Holdings Inc.
(incorporated/registered office in the USA)

Delaware Corporate Services Inc.
(incorporated/registered office in the USA)

Law Debenture (Ireland) Limited
(incorporated/registered office in the Republic of Ireland)

Law Debenture Ireland (Trustees) Limited
(incorporated/registered office in the Republic of Ireland)

Law Debenture Holdings (Ireland) Limited
(incorporated/registered office in the Republic of Ireland)

LDI (OCS) Limited
(incorporated/registered office in the Republic of Ireland)

Registered Shareholder Services No.1 Limited
(incorporated/registered office in the Republic of Ireland)

Registered Shareholder Services No.2 Limited
(incorporated/registered office in the Republic of Ireland)

Registered Shareholder Services No.3 Limited
(incorporated/registered office in the Republic of Ireland)

Law Debenture Master Trust Trustees (Ireland) DAC
(incorporated/registered office in the Republic of Ireland)

Unlisted investments

The Group holds unlisted investments.

Investment trust

The majority of the Portfolio is invested in listed investments. A small minority of investments (approximately 0.6% of the Portfolio) are unlisted comprising a small fund investment and a number of other immaterial unquoted investments.

Quarterly valuations for the small fund investment are received. The Investment Valuation Committee updates the valuation of this immaterial investment on a six monthly basis. The minutes of the meeting are shared with the auditors on a bi-annual basis.

Other unquoted investment holdings are reviewed on a bi-annual basis to market value and agreed by the Committee members at the same Investment Valuation Committee meeting.

13. Investments continued

Independent professional services

As part of the services offered by the Independent Professional Services business, the Group acts as the registered holder of an immaterial amount of unlisted shares in structured finance companies which are held on trust for discretionary charitable purposes. The Group has no beneficial interest in those shares or the results of the companies whose shares are held.

The holdings are reviewed on a bi-annual basis at the Investment Valuation Committee meeting but are not revalued as there is no market rate and the Group has no beneficial or economic interest in those shares.

14. Contract assets, trade and other receivables

The Directors consider that the carrying value approximates to the fair value.

The average credit period on sales of goods is 90 days. No interest is charged on outstanding trade receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses trade receivables are grouped based on similar risk characteristics and ageing.

An expected credit loss (ECL) is recognised against contract assets only when it is considered to be material and there is evidence that the credit worthiness of a counterparty may render balances irrecoverable. Refer to note 19 for further details on IFRS 9 expected credit losses.

Contract assets arise from the Group's IPS business which enters into contracts that can take more than one year to complete.

	GROUP		COMPANY	
Contract assets: current	2023 £000	2022 £000	2023 £000	2022 £000
Amounts included in contract assets that were recognised as revenue	8,604	5,436	—	—

Trade and other receivables: current	2023 £000	2022 £000	2023 £000	2022 £000
Trade receivables	15,700	18,186	21	515
Other receivables	353	592	359	—
Portfolio dividends receivables	4,120	1,746	2,634	769
Prepayments	1,323	919	—	—
	21,496	21,443	3,014	1,284

15. Cash and cash equivalents

	GROUP		COMPANY	
	2023 £000	2022 £000	2023 £000	2022 £000
Cash at bank	12,023	15,280	2,376	6,858
Short-term money market deposits	19,416	34,279	10,006	22,967
	31,439	49,559	12,382	29,825

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments and deposits with a maturity of three months or less from the date of acquisition.

16. Contract liabilities, trade and other payables

Contract liabilities: Current	GROUP 2023 £000	GROUP 2022 £000	COMPANY 2023 £000	COMPANY 2022 £000
Deferred Income	8,000	5,223	8	7

Contract liabilities: Non-current	2023 £000	2022 £000	2023 £000	2022 £000
Deferred Income	2,403	3,976	—	125

Contract liabilities comprise of deferred income, representing fees billed in advance in respect of services under contract with customers.

During the year, £5.223m (2022: £5.620m) of the Group's prior year recorded deferred income was recognised as income.

The allocation of deferred income between current and non current is presented on the basis that the current portion will unwind and released to revenue within the next twelve months. There were no material items in the current portion of deferred income in 2022 which did not unwind during the year.

Trade and other payables: Current	GROUP 2023 £000	GROUP 2022 £000	COMPANY 2023 £000	COMPANY 2022 £000
Trade payables	2,365	5,880	50	—
Dividend payable	10,003	9,292	10,003	9,292
Other payables and accruals	10,185	4,643	970	754
	22,553	19,815	11,023	10,046

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days.

The Directors consider that the carrying value of trade and other payables approximates to their fair value.

17. Share capital

Allotted, issued and fully paid share capital – GROUP AND COMPANY	2023 £000	2022 £000
Value (Ordinary shares at 5p each)		
At 1 January	6,407	6,145
Issued in year	150	262
At 31 December	6,557	6,407

Shares (Ordinary shares at 5p each)	Number	Number
At 1 January	128,172,019	122,915,835
Issued in year	3,019,873	5,256,184
At 31 December	131,191,892	128,172,019

All shares rank pari passu amongst each other and have equal voting rights. The share capital authorised for issue is uncapped.

During the year to 31 December 2023, 29,873 shares (2022: 18,184 shares) were allotted under the SAYE scheme for a total consideration of £180,633 (2022: £108,481) which includes a premium of £179,139 (2022: £107,572). Total issued shares as at 31 December 2023 is 131,191,892 (2022: 128,172,019).

During the year, 43,656 options were granted under the Company's SAYE scheme. At 31 December 2023, options under the SAYE scheme exercisable from 2023 to 2028 at prices ranging from 606.00p to 775.00p per share were outstanding in respect of 170,828 ordinary shares (2022: 173,918 ordinary shares). During 2023, 16,873 options lapsed or were cancelled (2022: 11,350) and 29,873 (2022: 18,184) were exercised.

17. Share capital continued

Further details of options outstanding are given in the Directors' report on pages 61 to 65.

Own shares held – GROUP	2023 £000	2022 £000
At 1 January	3,128	3,215
Issue of shares	798	(87)
At 31 December	3,926	3,128

The own shares held represent the cost of 583,528 (2022: 486,991) ordinary shares of 5p each in the Company, acquired by the ESOT in the open market. The shares have been acquired to meet the requirements of the Deferred Share Plan. The voting rights relating to the shares have been waived while the relevant shares remain in trust, in accordance with the Plan rules. The market value of the shares at 31 December 2023 was £4,674,219 (2022: £3,754,701).

18. Capital reserves

			2023			2022
GROUP	Unrealised appreciation £000	Realised reserves £000	Total £000	Unrealised appreciation £000	Realised reserves £000	Total £000
At 1 January	(11,652)	674,164	662,512	166,777	622,646	789,423
Transfer on disposal of investments	12,119	(12,119)	—	(36,288)	36,288	—
Net gains/(losses) on investments	44,057	(6,677)	37,380	(141,930)	15,696	(126,234)
Cost of acquisition	(316)	—	(316)	(545)	—	(545)
Foreign exchange	(8)	—	(8)	334	—	334
Transfers to revenue	—	(384)	(384)	—	(2,829)	(2,829)
Transfers to capital	—	(4,908)	(4,908)	—	2,363	2,363
At 31 December	44,200	650,076	694,276	(11,652)	674,164	662,512

			2023			2022
COMPANY	Unrealised appreciation £000	Realised reserves £000	Total £000	Unrealised appreciation £000	Realised reserves £000	Total £000
At 1 January	(18,371)	726,753	708,382	160,058	675,235	835,293
Transfer on disposal of investments	12,119	(12,119)	—	(36,288)	36,288	—
Net gains on investments	44,057	(6,677)	37,380	(141,930)	15,696	(126,234)
Cost of acquisition	(316)	—	(316)	(545)	—	(545)
Foreign exchange	(8)	—	(8)	334	—	334
Transfers to revenue	—	(384)	(384)	—	(2,829)	(2,829)
Transfers to capital	—	(4,908)	(4,908)	—	2,363	2,363
At 31 December	37,481	702,665	740,146	(18,371)	726,753	708,382

19. Financial instruments

The Group's investment objective is to achieve long-term capital growth through investing in a diverse portfolio of investments. In pursuit of this objective, the Group has the power to deploy the following financial instruments:

- Quoted equities, unlisted equities and fixed interest securities
- Cash and short-term investments and deposits
- Debentures, term loans and bank overdrafts to allow the Group to raise finance

19. Financial instruments continued

- Derivative transactions to manage any of the risks arising from the use of the above instruments
- Derivative transactions to hedge the net investment in overseas subsidiaries

It remains the Group's policy that no trading in derivatives is undertaken. Information in respect of the Portfolio is included on pages 17 to 29. Additionally, there are no net investment hedges in place in 2022 or 2023.

Capital management

The Company is not allowed to retain more than 15% of its income from shares and securities each year and has a policy to increase dividends. However revenue profits are calculated after all expenses. Distributions will not be made if they inhibit the investment strategy. This policy on dividends is expected to continue going forwards. The investment strategy of the Company is disclosed on page 30 and includes a ceiling on effective gearing of 50%, with a typical range of 10% net cash to 20% gearing. At 31 December 2023 gearing was 13% (2022: 12%). Gearing is calculated in line with net gearing guidelines from the AIC, refer to page 156 for calculation.

Capital is represented by the Group's net assets. The Group and Company held the following categories of financial assets and liabilities At 31 December 2023:

GROUP	2023 £000	2022 £000
Assets		
Financial assets held at fair value through profit or loss:		
Equity investments	965,226	891,005
Financial assets held at amortised cost		
Trade and other receivables	17,369	19,697
Cash and cash equivalents	31,439	49,559
	48,808	69,256
Total financial assets	1,014,034	960,261
Liabilities		
Financial liabilities measured at amortised cost		
Trade and other payables	22,553	19,815
Long-term borrowings	163,889	163,909
Lease liabilities	4,716	6,650
Total financial liabilities	191,158	190,374

COMPANY	2023 £000	2022 £000
Assets		
Financial assets held at fair value through profit or loss:		
Equity investments	965,126	890,905
Financial assets held at amortised cost		
Trade and other receivables	380	515
Cash and cash equivalents	12,382	29,825
	12,762	30,340
Total financial assets	977,888	921,245
Liabilities		
Financial liabilities measured at amortised cost		
Amounts owed to subsidiary undertakings	18,558	19,603
Trade and other payables	11,023	10,046
Long-term borrowings	124,343	124,389
Total financial liabilities	153,924	154,038

19. Financial instruments continued

The principal risks facing the Group in respect of its financial instruments remain unchanged from 2022 and are:

Market risk

Price risk, arising from uncertainty in the future value of financial instruments. The Board maintains strategy guidelines whereby risk is spread over a range of investments, the number of holdings normally being between 70 and 175. In addition, the stock selections and transactions are actively monitored throughout the year by the investment manager, who reports to the Board on a regular basis to review past performance and develop future strategy. The Portfolio is exposed to market price fluctuation: if the valuation at 31 December 2023 fell or rose by 10%, the impact on the Group's total capital reserves for the year would have been £96.5m (2022: £89.1m). Corresponding 10% changes in the valuation of the Portfolio on the Company's total capital reserves for the year would have been £96.5m (2022: £89.1m). 10% has been used based on historic trends, however we will continue to revisit this on a periodic basis.

Foreign currency risk, arising from movements in currency rates applicable to the Group's investment in equities and fixed interest securities and the net assets of the Group's overseas subsidiaries denominated in currencies other than sterling. The Group's financial assets denominated in currencies other than sterling were:

			2023			2022
GROUP	Investments £000	Net monetary assets £000	Total currency exposure £000	Investments £000	Net monetary assets £000	Total currency exposure £000
US Dollar	24,062	1,766	25,828	35,552	7,681	43,233
Canadian Dollar	5,564	—	5,564	6,700	—	6,700
Euro	56,492	2,829	59,321	64,452	3,508	67,960
Danish Krone	3,147	—	3,147	2,405	—	2,405
Swedish Krona	—	—	—	—	—	—
Swiss Franc	8,376	—	8,376	7,237	—	7,237
Hong Kong Dollar	—	1,455	1,455	—	976	976
Japanese Yen	11,877	—	11,877	9,426	—	9,426
Total	109,518	6,050	115,568	125,772	12,165	137,937

The Group US dollar net monetary assets is that held by the US operations of £1.4m (2022: £1.3m) together with £0.4m (2022: £6.4m) held by non-US operations.

			2023			2022
COMPANY	Investments £000	Net monetary assets £000	Total currency exposure £000	Investments £000	Net monetary (liabilities) £000	Total currency exposure £000
US Dollar	24,062	—	24,062	35,552	—	35,552
Canadian Dollar	5,564	—	5,564	6,700	—	6,700
Euro	56,492	—	56,492	64,452	—	64,452
Danish Krone	3,147	—	3,147	2,405	—	2,405
Swedish Krona	—	—	—	—	—	—
Swiss Franc	8,376	—	8,376	7,237	—	7,237
Japanese Yen	11,877	—	11,877	9,426	—	9,426
Total	109,518	—	109,518	125,772	—	125,772

19. Financial instruments continued

The holding in Scottish Oriental Smaller Companies Trust is denominated in sterling but has underlying assets in foreign currencies equivalent to £8.2m (2022: £7.3m). Investments made in the UK and overseas have underlying assets and income streams in foreign currencies which cannot easily be determined and have not been included in the sensitivity analysis. If the value of all other currencies At 31 December 2023 rose or fell by 10% against sterling, the impact on the Group's total profit or loss for the year would have been £12.2m and £10.0m respectively (2022: £14.0m and £11.4m). Corresponding 10% changes in currency values on the Company's total profit or loss for the year would have been the same. The calculations are based on the Portfolio at the respective year end dates and are not representative of the year as a whole.

Interest rate risk, arising from movements in interest rates on borrowing, deposits and short-term investments. The Board reviews the mix of fixed and floating rate exposures and ensures that gearing levels are appropriate to the current and anticipated market environment. The Group's interest rate profile was:

							2023
				GROUP			**COMPANY**
	Sterling £000	HK Dollars £000	US Dollars £000	Euro £000	Sterling £000	US Dollars £000	Euro £000
Floating rate assets	25,740	1,455	1,766	2,829	12,425	—	—

							2022
				GROUP			**COMPANY**
	Sterling £000	HK Dollars £000	US Dollars £000	Euro £000	Sterling £000	US Dollars £000	Euro £000
Floating rate assets	37,351	976	7,681	3,508	14,357	5,780	2,662

The Group holds cash and cash equivalents on short-term bank deposits and money market funds. Interest rates tend to vary with bank base rates. The Portfolio is not directly exposed to interest rate risk.

		GROUP		**COMPANY**
	2023 Sterling £000	2022 Sterling £000	2023 Sterling £000	2022 Sterling £000
Fixed rate liabilities	163,892	163,909	124,343	124,389
Weighted average fixed rate for the year	3.962%	3.961%	3.274%	3.276%

If interest rates during the year were 1.0% higher the impact on the Group's total profit or loss for the year would have been £311,000 credit (2022: £346,000 credit). It is assumed that interest rates are unlikely to fall below the current level.

The Company holds cash and cash equivalents on short-term bank deposits and money market funds, it also has short-term borrowings. Amounts owed to subsidiary undertakings include £40m at a fixed rate. Interest rates on cash and cash equivalents and amounts due to subsidiary undertakings at floating rates tend to vary with bank base rates. A 1.0% increase in interest rates would have affected the Company's profit or loss for the year by £161,000 credit (2022: £224,000 credit). The calculations are based on the balances at the respective year end dates and are not representative of the year as a whole.

19. Financial instruments continued

Liquidity risk

Is the risk arising from any difficulty in realising assets or raising funds to meet commitments associated with any of the above financial instruments. To minimise this risk, the Board's strategy largely limits investments to equities and fixed interest securities quoted in major financial markets. In addition, cash balances are maintained commensurate with likely future settlements. The maturity of the Group's existing borrowings is set out in note 20. The interest on borrowings is paid bi-annually on March and September for the 2045 secured senior notes, April and October for the 2034 secured bonds and May and November for the 2041 and 2050 senior secured notes.

The tables below illustrates the contractual commitments to pay this interest over the time periods outlined as follows:

	2023				2022			
GROUP **INSTRUMENT**	Interest payable < 1 year £000	Interest payable 1 - 5 years £000	Interest payable 5 - 10 years £000	Interest payable > 10 years £000	Interest payable < 1 year £000	Interest payable 1 - 5 years £000	Interest payable 5 - 10 years £000	Interest payable > 10 years £000
6.125% guarenteed secured bonds 2034	2,450	9,800	12,250	4,900	2,450	9,800	12,250	4,900
3.77% secured senior notes 2045	2,828	11,310	14,138	36,758	2,828	11,310	14,138	36,758
2.54% secured senior notes 2041	508	2,032	2,540	4,572	508	2,032	2,540	4,572
2.53% secured senior notes 2050	759	3,036	3,795	13,662	759	3,036	3,795	13,662
Lease liabilities: undiscounted cash flows	1,163	3,674	1,647	—	1,259	3,966	2,518	—
Total Group	7,708	29,852	34,370	59,892	7,804	30,144	35,241	59,892

	2023				2022			
COMPANY **INSTRUMENT**	Interest payable < 1 year £000	Interest payable 1 - 5 years £000	Interest payable 5 - 10 years £000	Interest payable > 10 years £000	Interest payable < 1 year £000	Interest payable 1 - 5 years £000	Interest payable 5 - 10 years £000	Interest payable > 10 years £000
3.77% secured senior notes 2045	2,828	11,310	14,138	36,758	2,828	11,310	14,138	36,758
2.54% secured senior notes 2041	508	2,032	2,540	4,572	508	2,032	2,540	4,572
2.53% secured senior notes 2050	759	3,036	3,795	13,662	759	3,036	3,795	13,662
Total Company	4,095	16,378	20,473	54,992	4,095	16,378	20,473	54,992

Credit risk

Is the risk arising from the failure of another party to perform according to the terms of their contract. Cash and cash equivalents are held with banks which are rated "A-" or higher by Standard & Poor's Rating Services.

The credit risk on liquid funds and borrowings is limited because the counter-parties are banks with high credit-ratings assigned by international credit rating agencies.

The Group's maximum exposure to credit risk arising from financial assets is £48.8m (2022: £69.3m). The Company's maximum exposure to credit risk arising from financial assets is £12.8m (2022: £30.3m).

Outstanding customer receivables are continuously monitored and followed up where required. Specific provisions incremental to ECL are made when there is evidence that the Group will not be able to collect the debts from the customer. This evidence can include indications that the customer is experiencing financial difficulty, problems contacting the customer or disputes with a customer. The ageing of trade receivables and the expected credit loss at the reporting date are disclosed on page 145.

Stock lending

Stock lending agreements are transactions in which the Group lends securities for a fee and receives cash as collateral. The Group continues to recognise the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. Because as part of the lending arrangement the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

Stock lending transactions are carried out with a number of approved counterparties. Details of the value of securities on loan at the year end can be found in note 27. In summary, the Group only transacts with counterparties that it considers to be credit worthy.

19. Financial instruments continued

Trade and other receivables

The ageing profile of the carrying value of trade receivables past due is as follows:

	GROUP		COMPANY	
	2023 £000	2022 £000	2023 £000	2022 £000
Between 31 and 60 days	1,965	2,162	—	—
Between 61 and 90 days	1,375	1,367	—	—
More than 91 days	6,192	11,640	21	15
Total	9,532	15,169	21	15

IFRS 9 credit loss rates

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses trade receivables are grouped based on similar risk characteristics including business area and business geography and ageing.

The expected loss rates are estimated using the Group's historical credit losses experienced over a three-year period prior to the year end. The historical loss rates are adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified gross domestic product (GDP) and unemployment trends act as key economic indicators which may impact our customers' future ability to pay debt.

The below table displays the gross carrying amount against the expected credit loss provision and specific provisions. Specific provisions relate to certain balances 91+ days overdue and the Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The total specific and credit loss provision at 31 December 2023 is £2,143,000 (2022: £3,953,000).

The loss allowance as at 31 December 2023 was determined as follows:

Trade receivables - days past due

	Current £000	1 - 30 days overdue £000	31 - 60 days overdue £000	61 - 90 days overdue £000	91+ days overdue £000	Total £000
31 December 2023						
Expected loss rate	0.80%	2.08%	2.85%	5.38%	5.86%	3.31%
Gross carrying amount	5,902	2,409	1,965	1,375	6,192	17,843
Expected credit loss provision	(47)	(50)	(56)	(74)	(363)	(590)
Specific provision	—	—	—	—	(1,553)	(1,553)
Net carrying amount	5,855	2,359	1,909	1,301	4,276	15,700

The loss allowance as at 31 December 2022 was determined as follows:

Trade receivables - days past due

	Current £000	1 - 30 days overdue £000	31 - 60 days overdue £000	61 - 90 days overdue £000	91+ days overdue £000	Total £000
31 December 2022						
Expected loss rate	1.71%	5.64%	3.75%	4.68%	3.59%	3.79%
Gross carrying amount	2,634	3,562	2,162	1,367	11,640	21,365
Expected credit loss provision	(45)	(201)	(81)	(64)	(418)	(809)
Specific provision	—	—	—	—	(3,144)	(3,144)
Net carrying amount	2,589	3,361	2,081	1,303	8,078	17,412

19. Financial instruments continued

Trade and other payables	GROUP 2023 £000	GROUP 2022 £000	COMPANY 2023 £000	COMPANY 2022 £000
Due in less than one month	22,553	19,815	11,023	10,046
Due in more than one month and less than three months	—	—	—	—
Total	22,553	19,815	11,023	10,046

Fair value

The Directors are of the opinion that the fair value of financial assets and liabilities of the Group are not materially different to their carrying values, with the exception of the long-term borrowings (see note 20). The Group's basis of fair value calculation on these long-term borrowings uses quoted prices (unadjusted) in active markets for identical liabilities that the entity can access at the measurement date. The Group does not make adjustments to quoted prices, only under specific circumstances, for example when a quoted price does not represent the fair value (i.e. when a significant event takes place between the measurement date and market closing date).

Derecognition – financial assets

The Group enters into stock lending transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

20. Long-term borrowings

In more than five years

Long-term borrowings are repayable as follows:

Secured	GROUP 2023 £000	GROUP 2022 £000	COMPANY 2023 £000	COMPANY 2022 £000
6.125% guaranteed secured bonds 2034	39,546	39,520	—	—
3.77% secured senior notes 2045	74,427	74,434	74,427	74,434
2.54% secured senior notes 2041	19,936	19,966	19,936	19,966
2.53% secured senior notes 2050	29,980	29,989	29,980	29,989
Total	163,889	163,909	124,343	124,389

The 6.125% bonds were issued by Law Debenture Finance p.l.c. and guaranteed by the Company. The £40m nominal tranche, which produced proceeds of £39.1m, is constituted by a trust deed dated 12 October 1999 and the Company's guarantee is secured by a floating charge on the undertaking and assets of the Company. The bonds are redeemable at nominal amount on 12 October 2034. Interest (see note 5) is payable semi-annually in equal instalments on 12 April and 12 October in each year.

The 3.77% notes were issued by the Company. The £75m nominal tranche, which produced proceeds of £74.5m, is constituted by a note purchase agreement and the notes are secured by a floating charge which ranked pari passu with the charge given as part of the 6.125% bond issue. The notes are redeemable at nominal amount on 25 September 2045. Interest (see note 5) is payable semi-annually in equal instalments on 25 March and 25 September in each year.

20. Long-term borrowings continued

The 2.54% Series A notes were issued by the Company. The £20m nominal tranche, which produced proceeds of £20m, is constituted by a note purchase agreement dated 2 November 2021 and the notes are secured by a floating charge which ranked pari passu with the charge given as part of the 6.125% bond issue and with the charge given as part of the 3.77% note issue. The notes are redeemable at nominal amount on 2 November 2041. Interest is payable semi-annually in equal instalments on 2 May and 2 November in each year. The first interest payment was made on 2 May 2022.

The 2.53% Series B notes were issued by the Company. The £30m nominal tranche, which produced proceeds of £30m, is constituted by a note purchase agreement dated 2 November 2021 and the notes are secured by a floating charge which ranked pari passu with the charge given as part of the 6.125% bond issue and with the charge given as part of the 3.77% note issue. The notes are redeemable at nominal amount on 2 November 2050. Interest is payable semi-annually in equal instalments on 2 May and 2 November in each year. The first interest payment was made on 2 May 2022.

The long-term borrowings are stated in the statement of financial position at amortised cost. Including them at a fair value of £130.7m at 31 December 2023 (2022: £138.7m) would have the effect of increasing the year end NAV by 25.45p (2022: increase of 19.68p). The estimated fair value is based on the redemption yield of reference gilts plus a margin derived from the spread of A rated UK corporated bond yields over UK gilt yields (2022: A).

21. Contingent liabilities

The Group is from time to time party to legal proceedings and claims, which arise in the ordinary course of the IPS business. The Directors do not believe that the outcome of any of these proceedings and claims, either individually or in aggregate, will have a material adverse effect upon the Group's financial position.

The Company has provided a guarantee to a subsidiary undertaking in respect of the ongoing liabilities of the Group defined benefit pension scheme (see note 23). The Company has provided surety for the lease of the Group's main property which is held by a subsidiary undertaking. The annual rental is currently £871,000 and its full term ends in 2030. The Company guarantees the servicing of the debt payments required on the 6.125% guaranteed secured bonds 2034 issued by Law Debenture Finance p.l.c. This is accounted for via the inter-company account between the Company and its subsidiary.

The Company provides letters of support to its subsidiaries when necessary. The Company does not reasonably expect a liability to arise in relation to these.

22. Leases

Management estimate that the fair value of the Group's lease obligations approximates their carrying amount.

There are no material future cash flows relating to leases in place as at 31 December 2023 that are not reflected in the minimum lease payments disclosed below and the Group does not have any leases to which it is contracted but which are not yet reflected in the minimum lease payments. There are no restrictions nor covenants imposed by any leases to which the Group has entered into. The Group does not have any leases where payments are variable.

No lease liability is recognised in respect of leases which have a lease term of less than twelve months in duration at the point of entering into the lease, or where the purchase price of the underlying right-of-use asset is less than £5,000. Where relevant, the total value of these is immaterial.

The total cash outflow for leases in the year was £1,272,000 (2022: £505,000), this is presented in the Consolidated Cash Flow Statement relating to the principal element of the lease liability payments.

22. Leases continued

Right-of-use assets

Additional information on the right-of-use assets is as follows:

	GROUP			
	Office building leases		Total right-of-use assets	
	2023 £000	2022 £000	2023 £000	2022 £000
Cost				
At 1 January	5,040	5,542	5,040	5,542
Accumulated depreciation				
Adjustment to opening balance	—	199*	—	199*
Leases signed in year	—	195	—	195
Lease extension	39	40	39	40
Depreciation	(891)	(931)	(891)	(931)
Foreign exchange difference	(57)	(5)	(57)	(5)
Net book value				
At 31 December	4,131	5,040	4,131	5,040

* Adjustment to opening balance as a result of a change in calculation.

	2023 £000	2022 £000
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	891	931
Interest expense on lease liabilities	267	294
	1,158	1,225

Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	2023 £000	2022 £000
Current	1,025	991
Non-Current	4,716	5,659
Total lease liability	5,741	6,650

	GROUP	
	Minimum lease payments	
Amounts payable under leases	2023 £000	2022 £000
Within one year	1,168	1,259
Between one and five years	3,756	3,966
After five years	1,642	2,518
	6,566	7,743
Less: future finance charges	(825)	(1,093)
Present value of lease obligations	5,741	6,650
Less: amounts due for settlement within one year (shown within current liabilities)	(1,025)	(991)
Amounts due for settlement after one year (shown within non current liabilities)	4,716	5,659

Leases signed in the year

On the lease commencement date the Group recognised a right-of-use asset of £39,052 and leasehold liability of £39,052. The right-of-use asset is recognised at leasehold liability (39,052), there were nil direct costs.

No new lease agreement was entered into in 2023.

23. Pension commitments

For some employees, the Group operates a funded pension plan providing benefits for its employees based on final pensionable emoluments. The assets of the plan are held in a separate trustee administered fund. The Company has appointed an independent sole trustee to oversee the governance of the fund. The plan closed to future accrual of benefits on 31 December 2016 and benefits now increase broadly in line with inflation.

Under the defined benefit pension plan, each member's pension at retirement is related to their pensionable service and final pensionable emoluments. The weighted average duration of the expected benefit payments from the plan is around 20 years. The defined benefit scheme is operated from a trust, which has assets which are held separately from the Group and is overseen by an independent sole trustee who ensures the plan's rules are strictly followed.

These figures were prepared by an independent qualified actuary in accordance with IAS19 (revised), and are based on membership data as at 31 December 2023. The funding target is for the plan to hold assets equal in value to the accrued benefits based on projected pensionable emoluments. If there is a shortfall against this target, then the Group and the trustee will agree deficit contributions to meet this deficit over a period.

There is a risk to the Group that adverse experience could lead to a requirement for the Group to make additional contributions to reduce any deficit that arises.

Contributions are set based upon funding valuations carried out every three years; the next valuation is due to be carried out as at 31 December 2026. The estimated amount of total employer contributions expected to be paid to the Plan during 2024 is £nil (2023 actual: £1.1m).

Actuarial gains and losses are recognised immediately through other comprehensive income.

The major assumptions in the 31 December 2023 disclosure under IAS19 (revised) are shown below and are applied to membership data supplied at that date. This shows the net pension assets and liabilities.

	2023	2022
Significant actuarial assumptions:		
Retail Price Inflation	%	3.20%
Consumer Price Inflation*	RPI less 1.0% p.a. prior to 2030, RPI less 0.1% p.a. thereafter	RPI less 1.0% p.a. prior to 2030, RPI less 0.1% p.a. thereafter
CPI single equivalent rate	2.50%	2.60%
Discount rate	4.55%	4.80%
5% limited RPI pension increases in payment	n/a	n/a
General salary increases	n/a	n/a

*Relates to dividends unclaimed over 12 years old.

	2023 years	2022 years
Life expectancy of male/female aged 65 in 2023	22.9/25.1	23.2/25.3
Life expectancy of male/female aged 65 in 2040	24.4/26.5	24.7/26.8
Weighted average duration	14.0	13.8

	2023 £000	2022 £000
The amounts recognised in the income statement are as follows:		
Interest (income)/expense	(300)	100
Total (income)/expense recognised in the income statement	(300)	100
The amounts recognised outside the income statement are as follows:		
Remeasurements	1,400	300
Loss/(gain) recognised outside the income statement	1,400	300

23. Pension commitments continued

	2023		2022	
	Allocation %	£000	Allocation %	£000
The current allocation of plan assets is as follows:				
Equities	15	7,000	30	13,500
Corporate bonds	30	14,000	10	4,500
LDI	23	10,700	21	9,700
Pensioner annuities	1	500	1	500
Diversified growth funds	—	—	8	3,600
Infrastructure	15	6,700	15	6,800
Cash/other	16	7,200	15	6,900
Total	100	46,100	100	45,500

- The Plan holds a number of pensioner annuities which have been valued consistently with the defined benefit obligation using membership data as at 1 January 2021.
- At the time of writing, the value of the JP Morgan infrastructure fund on 31 December 2023 is unavailable. Therefore, the value of £6.7m used is at an effective date of 30 September 2023 adjusted for changes in the exchange rate over the period to 31 December 2023.
- The Plan's non-annuity assets are invested in pooled funds, which are not themselves quoted. However, the pooled funds are invested in assets with prices quoted and traded on public exchanges. The exception to this is the JP Morgan infrastructure fund, where underlying investments are not quoted.

Movement in present value of defined benefit obligation	2023 £000	2022 £000
Opening defined benefit obligation at 1 January	38 100	61,700
Interest on obligation	1,800	1,200
Benefits paid	(1,800)	(2,800)
Actuarial losses/(gains) due to:		
Experience loss/(gain)	200	2,400
Changes in financial assumptions loss/(gain)	800	(24,100)
Changes in demographic assumptions (gain)/loss	(400)	(300)
Closing defined benefit obligation at 31 December	38,700	38,100

Movement in fair value of plan assets	2023 £000	2022 £000
Opening fair value of plan assets at 1 January	45,500	68,300
Interest on assets	2,100	1,300
Contributions by the employer	1,100	1,000
Benefits paid	(1,800)	(2,800)
Actual returns net of interest	(800)	(22,300)
Closing fair value of plan assets at 31 December	46,100	45,500

Actual return on assets	1,300

23. Pension commitments continued

The pension plan is exposed to investment risk (the movement of the discount rate used against the value of the plans assets), interest rate risk (decreases/increases in the discount rate which will increase/decrease the defined benefit obligation) and longevity risk (changes in the estimation of mortality rates of members).

Movement in the net defined benefit liability	2023 £000	2022 £000
Opening net defined benefit (asset)/liability at 1 January	(7,400)	(6,600)
(Income)/expense charged to profit and loss	(300)	(100)
Employer contributions	(1,100)	(1,000)
Amount recognised outside of profit and loss	1,400	300
Closing net defined benefit (asset)/liability at 31 December	(7,400)	(7,400)

Amounts recognised in statement of financial position	2023 £000	2022 £000
Present value of defined benefit obligation	38,700	38,100
Fair value of plan assets	(46,100)	(45,500)
(Surplus)/deficit	(7,400)	(7,400)
Effect of asset ceiling	—	—
Net defined benefit (asset)/liability	(7,400)	(7,400)

Over the year to 31 December 2023, the balance sheet remained at a surplus of £7.4m. The balance sheet position was influenced by the following factors:

- deficit reduction contributions paid by the Company of £1.1m during the year;
- a decrease in expectations of future inflation, which decreases the value of the pension obligations; and
- changes to the mortality assumptions used to value the liability, which results in a decrease of the value of the pension obligations.

This was offset by:

- actual inflation being higher than expected at the previous year end;
- a decrease in the discount rate during the year, which increases the value of the pension obligations; and
- investment returns on assets being lower than anticipated.

Defined benefit scheme

The calculation of the defined benefit scheme assets and obligations is sensitive to the assumptions used.

The sensitivity to changes in assumptions and conditions which are significant to the calculation of the asset have been considered and the following is an illustration of the potential impact.

	Increase/(decrease) in defined benefit obligations	
	At 31 December 2023 £ million	At 31 December 2022 £ million
Discount rate +0.5%	(2.4)	(2.5)
RPI Inflation assumptions +0.5%	1.9	1.9
Life expectancy at 65 +1 year	1.6	1.5
RPI/CPI gap 0.5% increase in wedge between RPI and CPI at all durations	(0.5)	(0.5)

24. Related party transactions

GROUP

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

COMPANY

The related party transactions between the Company and its wholly owned subsidiary undertakings are summarised as follows:

	2023 £000	2022 £000
Dividends from subsidiaries	16,000	9,638
Interest on intercompany balances charged by subsidiaries	721	2,559
Management charges from subsidiaries	850	850

The ultimate parent entity is The Law Debenture Corporation p.l.c.

Intercompany balances represent intercompany loans which are unsecured, interest-free and repayable on demand.

Fair value

The key management personnel are the Directors of the Company and are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. Details of their compensation are included in note 4 to the accounts on page 128 and in Part 2 3 and 4 of the Remuneration Report on pages 82 to 98. Key management personnel costs inclusive of employers national insurance are £1,558k (2022: £1,573k).

25. Movement in borrowings

Under IAS 7, the movement in borrowings in the year are as follows:

GROUP	31 December 2023 £000	Non-cash items movement £000	31 December 2022 £000	Non-cash items movement £000	31 December 2021 £000	Non-cash items movement £000
Long-term borrowings						
6.125% guaranteed secured bonds 2034	39,546	26	39,520	(139)	39,659	27
3.77% secured senior notes 2045	74,427	(7)	74,434	(152)	74,586	17
2.54% secured senior notes 2041	19,936	(30)	19,966	(34)	20,000	—
2.53% secured senior notes 2050	29,980	(9)	29,989	(11)	30,000	—
	163,889	(20)	163,909	(336)	164,245	44

COMPANY	31 December 2023 £000	Non-cash items movement £000	31 December 2022 £000	Non-cash items movement £000	31 December 2021 £000	Non-cash items movement £000
Long-term borrowings						
3.77% secured senior notes 2045	74,427	(7)	74,434	(152)	74,586	17
2.54% secured senior notes 2041	19,936	(30)	19,966	(34)	20,000	—
2.53% secured senior notes 2050	29,980	(9)	29,989	(11)	30,000	—
	124,343	(46)	124,389	(197)	124,586	17

The Group had no short-term borrowings in 2023 (2022: nil).

26. Distributable reserves

After paying the final dividend, the Company has retained earnings to pay 0.5 years of dividend payments at the current level. After paying the final dividend, the Group has retained earnings to pay 0.8 years of dividends at the current level. The Company has realised capital reserves of £702,665,000 (2022: £726,754,000) which would allow 16.8 years (2022: 18.7 years) of dividend payments at the current level. The Group has realised capital reserves of £650,076,000 (2022: £674,165,000) which would allow 15.5 years (2022: 17.3 years) of dividend payments at the current level.

27. Stock lending revenue

At 31 December 2023 the total value of securities on loan by the Company for stock lending purposes was £50,585,379 (2022: £109,391,986). The maximum aggregate value of securities on loan at any one time during the year ended 31 December 2023 was £117,805,949 (2022: £197,631,719).

Revenue derived from stock lending in 2023 is £1,195,150 (2022: £626,099).

28. Note to the statement of cash flows

	GROUP		COMPANY	
	2023 £000	2022 £000	2023 £000	2022 £000
Operating profit/(loss) before interest and taxation	82,125	(78,677)	83,093	(82,863)
Adjust for non-cash flow items:				
Adjust for (gains)/losses on investments	(37,379)	126,234	(37,379)	126,234
Movement in amortised cost of borrowings	(20)	(336)	(46)	(197)
Depreciation of property, plant and equipment	403	328	—	—
Depreciation of right-of-use assets	891	931	—	—
Amortisation of intangible assets	892	675	—	—
(Increase)/decrease in receivables	(3,221)	198	(1,730)	860
Decrease/(increase) in payables	2,027	(9,604)	267	(4,269)
Decease/(increase) in deferred income	1,204	(475)	—	—
Normal pension contributions in excess of cost	(1,400)	(1,123)	—	—
(Decrease)/increase in other taxation payable	(1,290)	1,330	(1,021)	1,010
Dividends receivable	(32,964)	(37,498)	(48,964)	(47,136)
Cash flows from operating activities (before dividends received and taxation paid)	11,268	(1,983)	(5,780)	(6,361)

CORPORATE INFORMATION

Alternative performance measures

Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the financial framework that the Company has chosen to apply (International Financial Reporting Standards and the AIC SORP). The Directors use these measures as a means of assessing the Company's performance. The measures are particularly relevant for investment trusts and are widely used across the investment trust sector.

Net Asset Value per ordinary share

The value of the Company's assets (i.e. investments (see note 13)) and cash at bank (see Statement of Financial Position) less any liabilities (i.e. long-term borrowings (see note 20)) for which the Company is responsible, divided by the number of shares in issue (see note 9). The aggregate NAV is also referred to as total shareholders' funds in the Statement of Financial Position. In Law Debenture's case, the published NAV will include adjustments to reflect the fair value of the IPS business and the Company's long-term debt. There is a detailed summary of the NAV, including a description of how it is calculated, on page 36 of the Annual Report. From 1 July 2022, the NAV per ordinary share is published daily. Prior to that it was published weekly and immediately after each month end.

The change in NAV per share (see total return below) over one, three, five and ten years, as shown at page 2, is calculated by taking total return over the respective period and dividing by the opening NAV at the start of each period.

Net Asset Value with debt at fair value

The Group's debt (long-term borrowings, further details can be found in note 20 on pages 146 and 147) is valued in the Statement of Financial Position (page 113) at amortised cost, which is materially equivalent to the repayment value of the debt on the assumption that it is held to maturity. This is often referred to as 'Debt at Par'. The current fair value of the debt, which assumes it is repaid under current market conditions, is referred to as 'Debt at Fair Value'. This fair value is detailed in note 20 on page 146. The difference between the fair and par values of the debt is subtracted from or added to the Statement of Financial Position to derive the NAV with debt at fair value (see note 9 on page 132). The NAV with debt at fair value At 31 December 2023 was £1,048,304,000 (802.67 pence per ordinary share) and the NAV with debt at par was £1,015,065,000 (777.22 pence per ordinary share).

Discount or Premium

The amount by which the market price per share of an investment trust is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV per ordinary share.

	NAV per share with debt and IPS at fair value pence	NAV per share with debt at par value pence	Share price pence	Premium/ (discount) to fair value NAV	Premium/ (discount) to par value NAV
At 31 December 2023	802.67	777.22	801	(0.2%)	3.1%
At 31 December 2022	761.69	742.02	771	1.2%	3.9%

Average premium in share price versus NAV (with debt and IPS at fair value)

The discount or premium to share price is calculated in accordance with AIC methodology using performance data held by Law Debenture. The daily average is calculated from the daily share premium/discount recorded throughout the year and divided by the NAV (with debt and IPS at fair value).

Alternative performance measures continued

Gearing/(Net cash)

Net gearing is calculated by dividing total borrowings less cash and cash equivalents by adjusted shareholders' funds, expressed as a percentage.

			2023 £000	2022 £000
Borrowings (at PAR)	Statement of financial position		163,889	163,909
Cash and cash equivalents	Statement of financial position		(31,439)	(49,559)
Borrowings less cash		(a)	132,450	114,350
Net assets per Balance Sheet			854,229	799,067
Fair value uplift for IPS business			160,836	148,376
Debt fair value adjustment			33,239	25,123
Adjusted shareholders' funds	Page 36	(b)	1,048,304	972,566
Net gearing		(a/b)	13%	12%

We believe that it is appropriate to show net gearing in relation to shareholders' funds as it represents the amount of debt funding on the Portfolio.

Ongoing charges

The ongoing charge ratio has been calculated in accordance with guidance issued by the AIC. It represents the total investment management fee and other applicable administrative expenses expressed as a percentage of the average net asset values with debt at fair value throughout the year.

	2023 £000	2022 £000
Management fee revenue expense	584	566
Other attributable administration costs	2,699	2,448
Administration costs	3,283	3,014
Management fee capital expense	1,752	1,697
Ongoing charge	5,035	4,711
Average net assets[1]	1,023,604	959,711
Ongoing charge ratio	0.49%	0.49%

1 Calculated using the average month-end net asset value with debt at fair value.

Revenue earnings per share

The revenue earnings per share is the revenue return for the year (see Income Statement) divided by the weighted average number of ordinary shares in issue during the year (see note 9 on page 132).

Alternative performance measures continued

NAV total return

The total return is the return on the share price or NAV with debt at fair value taking into account both the rise and fall of NAVs/share prices and dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV with debt at fair value total return). Dividends paid and payable are set out in note 8 on page 131.

	NAV per share with debt at fair value	Share price
NAV/Share price per share at 31 December 2022 (pence)	761.69	771
NAV/Share price per share At 31 December 2023 (pence)	802.67	801
Change in the year (%)	5.4%	3.9%
Impact of dividends reinvested[1] (%)	4.0%	4.2%
Total return for the year (%)	9.4%	8.1%

1 The impact of dividends reinvested is calculated by calculating the total NAV/share price return for the year without the impact of re-invested dividends and comparing this to the total return including the impact of re-invested dividends.

Yield

The yield is the annual dividend expressed as a percentage of the year end share price.

	2023 £000	2022 £000
Annual dividend (pence)	32.0	30.5
Share price[1] (pence)	801	771
Yield (%)	4.0%	4.0%

1 Based on the closing share price as at 31 December 2023.

Company advisers and information

Registered office

8th Floor, 100 Bishopsgate, London, EC2N 4AG

T: 020 7606 5451
F: 020 7606 0643
W: www.lawdebenture.com

(Registered in England – No. 00030397)

Investment managers

James Henderson and Laura Foll are joint managers. They also manage Lowland Investment Company plc, Henderson Opportunities Trust plc and the Henderson UK Equity Income & Growth Fund.

James joined Henderson Global Investors (now Janus Henderson Investors) in 1983 and has been an investment trust portfolio manager since 1990. He first became involved in the management of Law Debenture's Portfolio in 1994 and took over lead responsibility for management of the Portfolio in June 2003.

Laura joined Janus Henderson Investors in 2009 and has held the position of portfolio manager on the Global Equity Income team since 2014. She first became involved with Law Debenture's Portfolio in September 2011 and became joint portfolio manager in 2020.

Alternative Investment Fund Manager

The Law Debenture Corporation p.l.c.

Portfolio manager

Janus Henderson Global Investors
201 Bishopsgate, London EC2M 3AE

Auditors

Deloitte LLP, 110 Queen Street, Glasgow, G1 3BX

Depositary

NatWest Trustee and Depositary Services Limited
250 Bishopsgate, London EC2M 4AA

Global custodian

HSBC Bank plc (under delegation by the depositary)
8 Canada Square, London E14 5HQ

Registrar

Computershare Investor Services PLC
The Pavilions, Bridgwater Road, Bristol BS99 6ZY

T: 0370 707 1129

Joint brokers

J.P. Morgan Securities PLC
25 Bank Street, London E14 5JP

Peel Hunt LLP
100 Liverpool Street, London EC2M 2AT

AIC

aic A member of the Association of Investment Companies

Shareholder information

Investment trust status

The Company carries on business as an investment trust company as defined in Sections 1158-1159 of the Corporation Tax Act 2010.

Company share information

Information about the Company can be found on its website www.lawdebenture.com. The market price of its ordinary shares is also published daily in the Financial Times.

Registrars

Our registrars, Computershare Investor Services PLC, operate a dedicated telephone service for Law Debenture shareholders – 0370 707 1129. Shareholders can use this number to access holding balances, dividend payment details, share price data, or to request that a form be sent to their registered address.

Share dealing

Computershare Investor Services PLC offers shareholders a share dealing service via the internet or by post.

Internet dealing: The fee for this service will be 1.4% of the value of each transaction (subject to a minimum of £40).

Website address: www.computershare.com/dealing/uk

Registry Postal Share Dealing Service: The fee for this service will be 1.4% of the value of each transaction (subject to a minimum of £40). Forms can be found at: www.computershare.com/dealing/uk or requested by calling: 0370 703 0084.

The service is available only to those shareholders who hold their shares on the register (i.e. it is not available to those who hold their shares via a nominee).

Shareholders using the internet service will need their Shareholder Reference Number (SRN) and post code to complete their trade. The SRN can be found printed on your proxy card.

Financial calendar

Dividend and interest payments

Ordinary shares:	
Three interim dividends	Announced in May, September and December Paid July, October and January
Final dividend	Announced in February Paid April
6.125% guaranteed secured notes	Paid April and October
3.77% senior secured notes	Paid March and September
2.54% series A senior secured notes	Paid May and November
2.53% series B senior secured notes	Paid May and November
Group results:	
Half year results	Announced in July
Full year results	Announced in February
Report and accounts	Published in March
Annual General Meeting	Held each year in March/April
Factsheets	Published monthly on the Company's website

Payment methods for dividends

Dividends and interest can be paid to shareholders by means of BACS. Mandate forms for this purpose are available on request from the Company's registrars.

Subsidiary company details

Subsidiary companies not incorporated in the United Kingdom, as listed on pages 136 and 137, are registered at the following addresses:

Companies registered in Hong Kong	Suite 1301, 13/F Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong
Companies registered in the Republic of Ireland	38/39 Fitzwilliam Square West, Dublin 2, Ireland
Companies registered in USA *other than Delaware Corporate Services*	Room 901, 420 Lexington Avenue, New York, NY 10017, USA
Companies registered in USA - Delaware Corporate Services	919 N Market St, Suite 725, Wilmington, DE 19801, USA
Company registered in Jersey	3rd Floor, IFC 5, Castle Street, St. Helier, Jersey JE2 3BY
Company registered in Cayman Islands	Governors Square, Suite 5-204, 23 Lime Tree Bay Avenue, Grand Cayman, Cayman Islands, KY1-1108

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 134th Annual General Meeting of the Company will be held in-person at the offices of The Law Debenture Corporation p.l.c., 8th Floor, 100 Bishopsgate, London, EC2N 4AG on 28 March 2024 at 11.00am to transact the following business:

Ordinary resolutions

To consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. **To receive the report of the Directors, the strategic report and the audited accounts and the auditor's report for the year ended 31 December 2023.**
2. **To approve the Directors' remuneration report for the year ended 31 December 2023.**
3. **To declare a final dividend of 9.125p per share in respect of the year ended 31 December 2023.**
4. **To re-elect Denis Jackson as a Director.**
5. **To re-elect Trish Houston as a Director.**
6. **To re-elect Robert Hingley as a Director.**
7. **To re-elect Pars Purewal as a Director.**
8. **To re-elect Claire Finn as a Director.**
9. **To re-elect Clare Askem as a Director.**
10. **To elect Maarten Slendebroek as a Director.**
11. **To re-appoint Deloitte LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which the accounts of the Company are laid.**
12. **To authorise the Audit and Risk Committee to determine the auditor's remuneration.**
13. **General authority to allot shares.**

THAT:

(a) in substitution for all existing authorities (but without prejudice to any allotments made pursuant to the terms of such authorities), the Directors be generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise for the period ending on the date of the Company's next Annual General Meeting ('AGM'), all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount (within the meaning of sections 551(3) and (6) of the Act) of £655,971.80 (representing 13,119,436 ordinary shares) (or, if less, the number representing 10% of the total ordinary shares in issue (excluding treasury shares) as at the date of passing of this resolution); and

(b) the Company may during such period make offers or agreements which would or might require the making of allotments of equity securities or relevant securities as the case may be after the expiry of such period.

14. **Amendment to the rules of The Law Debenture Corporation p.l.c. Long-Term Incentive Plan.**

THAT current rule 8.9 of The Law Debenture Corporation p.l.c. Long-Term Incentive Plan relating to dividend equivalents be amended to include the following wording that is underlined and in italics (other text is unchanged and included for information only):

"An Award may include the right to receive an amount in Plan Shares or cash on or following Vesting (or if there is a Holding Period and the Grantor so specifies, following the end of the Holding Period) equal in value to the dividends which were payable on the number of Plan Shares in respect of which the Award has Vested during the period between the Award Date and the date of Vesting (or in the case of an Option the number of Plan Shares subject to the Option shall be increased as at the date of Vesting by the relevant value in Plan Shares).

The Grantor in its absolute discretion, may also determine that an amount in Plan Shares or cash equal in value to the dividends payable on the number of Plan Shares in respect of which the Award has Vested may accrue from the date of Vesting until the end of the Holding Period (or in the case of an Option the number of Plan Shares subject to the Option shall be increased as at the date of the end of the Holding Period by the relevant value in Plan Shares).

The Grantor may determine at its absolute discretion the method used to calculate the value of dividends and whether or not the method used to calculate the value of dividends shall assume that such dividends have been reinvested into Plan Shares, on such basis as the Grantor determines.

The Grantor may decide at any time not to apply this Rule 8.9 to all or any part of a special dividend or dividend in specie."

Special resolutions

To consider and, if thought fit, to pass the following resolutions which will be proposed as special resolutions:

15. Disapplication of statutory pre-emption rights.

THAT if resolution 13 is passed, the Directors be authorised to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such authority to be limited to:

(a) the allotment of equity securities or sale of treasury shares in connection with a rights issue, open offer or other issue or offer to ordinary shareholders in proportion (as nearly as possible) to their existing holding of shares (but subject to such exclusions as the Directors may deem necessary or appropriate to deal with fractional entitlements, record dates or legal, regulatory or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter); and

(b) the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above up to a nominal amount of £655,971.80 (representing 13,119,436 ordinary shares),

such authority to expire at the next AGM of the Company (or, if earlier, at the close of business on 27 June 2025) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

16. Additional authority to disapply pre-emption rights for acquisitions or specified capital investment.

THAT, if resolution 13 is passed, the Directors be authorised in addition to any authority granted under resolution 15 to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such authority to be:

(a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £655,971.80 (representing 13,119,436 ordinary shares); and

(b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months of the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

such authority to expire at the next AGM of the Company (or, if earlier, at the close of business on 27 June 2025) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

Notice of Annual General Meeting continued

17. General authority to buy back shares.

THAT the Company be and is generally and unconditionally authorised in accordance with sections 693 and 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of any of its issued ordinary shares of 5p each in the capital of the Company, in such manner and upon such terms as the Directors of the Company may from time to time determine, provided always that:

(a) the maximum aggregate number of shares that may be purchased is 19,666,035;

(b) the minimum price which may be paid for a share shall be 5p;

(c) the maximum price which may be paid for a share shall be an amount equal to 105% of the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for the shares for the five business days immediately preceding the day on which the share is purchased; and

(d) unless previously revoked, renewed or varied, the authority hereby conferred shall expire on the date of the Company's next AGM provided that a contract of purchase may be made before such expiry which will or may be executed wholly or partly thereafter, and a purchase of shares may be made in pursuance of any such contract.

18. Authority to convene a general meeting – notice.

THAT a general meeting of the Company, other than an AGM, may be called on not less than 14 clear days' notice.

This Notice was approved by the Board of Directors on 26 February 2024 and signed on its behalf by

Law Debenture Corporate Services Limited
Company Secretary

Registered office:
8th Floor
100 Bishopsgate
London EC2N 4AG

Registered No. 00030397

Explanatory notes to the Notice

The Notice of the Annual General Meeting (the 'Notice') to be held on 28 March 2024 (the 'Meeting') is set out on pages 160 to 162. The following notes provide an explanation as to why the resolutions set out in the Notice are being put to shareholders.

Resolution 1
Under the Companies Act 2006 (the 'Act'), the Directors are required to present the annual accounts and reports of the Company to shareholders at a general meeting. These are contained in the Company's Annual Report and financial statements for the year ended 31 December 2023 (the '2023 Annual Report'), which was sent to shareholders on 4 March 2024.

Resolution 2
In accordance with the provisions of the Act, the Company's Report on Directors' remuneration is being put to an annual shareholder vote by ordinary resolution. This resolution is an advisory vote, as provided by law, meaning that the Directors' entitlements to remuneration are not conditional upon the resolution being passed. The report is set out in full on pages 79 to 98 of the 2023 Annual Report.

Resolution 3
The Board proposes a final dividend of 9.125 pence per share in respect of the year ended 31 December 2023. If approved, the recommended final dividend will be paid on 11 April 2024 to all ordinary shareholders who are on the register of members on 8 March 2024. The shares will be marked ex-dividend on 7 March 2024.

Resolutions 4 – 10
Under the Company's Articles of Association (the 'Articles'), one third of the Directors must retire from office by rotation at each AGM and may offer themselves for re-election (this does not include Directors appointed to the Board since the last AGM). The 2018 UK Corporate Governance Code recommends that all directors of premium listed companies should be subject to annual re-election and Directors in their first year of appointment to election, so Denis Jackson, Trish Houston, Robert Hingley, Pars Purewal, Claire Finn and Clare Askem will retire from office and offer themselves for re-election. Tim Bond will not seek re-election. The UK Corporate Governance Code and the Articles also require any new Directors appointed by the Board since the last annual general meeting to stand for election at the next annual general meeting. Accordingly, Maarten Slendebroek, having joined the Board in January 2024, also retires from office and offers himself for election.

The biographical details for each Director are set out on pages 58 and 59 of the 2023 Annual Report.

In proposing the election/re-election of the Directors, the Chair confirms that, following the external performance evaluation (described on pages 71 and 72 of the 2023 Annual Report), each individual continues to make an effective and valuable contribution to the Board and demonstrates commitment to their role. With respect to Maarten Slendebroek, who is newly appointed to the Board, his skills, knowledge and experience are welcomed and we look forward to his contributions for the remainder of 2024. Accordingly, the Board recommends their election or re-election as appropriate.

Resolution 11
The Company's auditors must offer themselves for appointment at each AGM at which accounts are presented. Accordingly, the Board, on the recommendation of the Audit and Risk Committee, recommends the re-appointment of Deloitte LLP as the Company's auditors.

Resolution 12
This resolution, if passed, will authorise the Audit and Risk Committee to agree the remuneration of Deloitte LLP for their services as auditors.

Resolution 13
Under the Act, Directors may not allot shares in the Company (or grant certain rights over shares) without the authority of shareholders in a general meeting (other than pursuant to an employee share scheme). In certain circumstances this could be unduly restrictive. The Directors' existing authority to allot ordinary shares, which was granted at the AGM of the Company held on 30 March 2023, will expire at the end of this year's AGM.

The Investment Association's Share Capital Management Guidelines and the Pre-Emption Group Principles permit, and regard as routine, an authority to allot up to two-thirds of a company's existing issued share capital. Subject to the passing of this resolution, which will be proposed as an ordinary resolution, the Directors will be authorised, in place of all existing authorities, to allot shares (pursuant to section 551 of the Act) up to an aggregate nominal amount of £655,971.80 (representing 13,119,436 ordinary shares), representing approximately ten per cent of the nominal value of the issued ordinary shares on 26 February 2024 (being the last practicable date prior to the publication of this document). As at 26 February 2024, the Company did not hold any shares in treasury.

The authority conferred will expire (unless previously revoked, varied or renewed) at the end of the next AGM. However, the Company may make an offer or agreement prior to the expiry of this authority which would or might require shares to be allotted after the expiry of this authority – in this case, the Directors will be permitted to allot securities pursuant to such offer or agreement as if this authority had not expired.

Resolution 14
Resolution 14 seeks to approve the proposed amendment to rule 8.9 of The Law Debenture Corporation p.l.c. Long-Term Incentive Plan ('the Plan'), which gives the Grantor as defined in the Plan, the discretion to authorise the accrual of 'dividend equivalents' (amounts equal in value to the dividends paid) on vested awards or options post vesting, up until the end of the mandatory holding period that normally runs for two years after vesting and during which the executive director is required to retain the shares or options. This brings this aspect of the rules in line with normally accepted best practice and ensures that executive directors' interests are more closely aligned with those of shareholders.

Explanatory notes to the Notice continued

Resolution 15
Unless they are given an appropriate authority by shareholders, if the Directors wish to allot any shares for cash or grant rights over shares (other than pursuant to an employee share scheme) they must first offer them to existing shareholders in proportion to their existing holdings. These are known as pre-emption rights. The existing disapplication of these statutory pre-emption rights, which was granted at the AGM held on 30 March 2023, will expire at the end of this year's AGM.

Resolution 15 seeks approval to disapply the pre-emption rights, by allowing Directors to allot equity securities (including a sale of treasury shares) for cash: (i) in connection with rights issues and other preemptive issues in favour of existing shareholders in proportion to their existing holdings (subject to certain exclusions); (ii) by way of an open offer or other issue of securities in favour of existing shareholders in proportion to their existing holdings (subject to certain exclusions); and (iii) to persons other than existing shareholders up to an aggregate nominal amount of £655,971.80 (representing 13,119,436 ordinary shares), being no more than ten per cent of the issued ordinary share capital in issue on the 26 February 2024, in each case without the equity securities first being offered to the existing shareholders in proportion to their existing holdings.

Resolution 16
Resolution 16 seeks an additional and separate approval to disapply pre-emption rights by allowing Directors to allot equity securities (or sell treasury shares) for cash, of up to a further ten per cent of the total ordinary share capital, representing up to an aggregate nominal amount of £655,971.80 (representing 13,119,436 ordinary shares), as at 26 February 2024, without such equity securities first being offered to the existing shareholders in proportion to their holdings, where the allotment is to finance an acquisition or capital investment, and/or refinance a transaction of that nature entered into within six months of the original transaction.

The Directors confirm that they will only allot securities (or sell treasury shares for cash) pursuant to this authority where that allotment is in connection with an acquisition or specified capital investment (as described in the Pre-Emption Group's Statement of Principles) which is announced at the same time as the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of that allotment.

Resolution 17
Resolution 17 is a special resolution that will grant the Company authority to make market purchases of up to 19,666,035 shares, representing 14.99% of the issued ordinary share capital as at the date of the Notice. Any shares bought back will either be cancelled or placed into treasury at the determination of the Directors.

The maximum price which may be paid for each share must not be more than 105% of the average of the mid-market values of the ordinary shares for the five business days before the purchase is made. The minimum price which may be paid for each ordinary share is 5p.

The Directors are committed to managing the Company's capital effectively and do not intend to exercise such authority at present. Purchases would only be made after considering the effect on earnings per share and the benefits for shareholders generally.

This authority shall expire at the AGM to be held in 2024 when a resolution to renew the authority will be proposed.

Resolution 18
The Act requires that all general meetings must be held on at least 21 clear days' notice. Notwithstanding the notice provisions in the Articles, a general meeting (other than an AGM) may be held on at least 14 clear days' notice where:

- the Company makes an electronic means of voting available to all shareholders for the meeting. This condition is met by the Company providing the facility for shareholders to appoint a proxy via an online shareholder portal operated by our Registrars; and
- the shareholders pass a special resolution reducing the period of notice to not less than 14 days either at the immediately preceding AGM or a general meeting held since that AGM.

It is not the Company's intention to use the shorter notice period as a matter of routine but only when the flexibility is merited by the business of the meeting and is thought to be in the interests of shareholders as a whole. If given, this approval will be effective until the end of the AGM to be held in 2025.

Recommendation
Full details of the above resolutions are contained in the Notice. The Directors consider that all the resolutions to be proposed at the Meeting are in the best interests of the Company and its members as a whole. The Directors unanimously recommend that shareholders vote in favour of all the resolutions, as they intend to do in respect of their own beneficial holdings.

If you are in any doubt about the contents of this document, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, or if outside the United Kingdom, another appropriately authorised financial adviser, without delay.

If you have sold or otherwise transferred all of your shares in the Company you should immediately send this document, together with the accompanying form of proxy, to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Shareholder notes

The following notes explain your general rights as a shareholder and your right to attend and vote at the Meeting or to appoint someone else to vote on your behalf.

1. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the register of members of the Company at close of business on Tuesday, 26 March 2024 (or, in the event of any adjournment, close of business on the date which is 48 hours before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority is determined by the order in which the names stand in the register of members in respect of the share.

2. Shareholders are entitled to appoint a proxy to exercise all or part of their rights to attend, and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company. A form of proxy, which accompanies this Notice, may be used to make such appointment and give proxy instructions. If you do not have a form of proxy and believe that you should have one, or if you require additional forms, please contact the Company's registrar, whose contact details are provided above.

3. Dispatch instructions: To be valid, any form of proxy and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be returned by no later than 11:00 am on Tuesday, 26 March 2024 through any one of the following methods:

   (a) by post at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, United Kingdom

   (Tel: 0370 707 1129 if dialling from the UK and +44 370 707 1129 if dialling from abroad); or

   (b) by hand or courier (during normal business hours only) to the Company's UK registrar at: Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE, United Kingdom

   (Tel: 0370 707 1129 if dialling from the UK and +44 370 707 1129 if dialling from abroad); or

   (c) electronically through the website of the Company's registrar at www.investorcentre.co.uk/eproxy, where the following details, which can be found on your proxy card or in an email received from Computershare, will be required:

   - the meeting control number;
   - your shareholder reference number; and
   - your unique pin code; or

   (d) in the case of shares held through CREST, via the CREST system (see notes 8 to 11 on pages 165 and 166).

4. Any person to whom this Notice is sent who is a person nominated under Section 146 of the Companies Act 2006 (the 'Act') to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

5. The statement of the rights of shareholders in relation to the appointment of proxies in notes 2 and 8 do not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his/her discretion. Your proxy will vote (or abstain from voting) as he/she thinks fit in relation to any other matter which is put before the meeting.

7. If you return more than one proxy appointment (except where multiple proxies have been appointed), either by paper or electronic communication, that appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.

8. The return of a completed form of proxy, electronic filing or any CREST proxy instruction (as described in note 10 below) will not prevent a shareholder from attending the meeting and voting in person if he/she wishes to do so.

9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by using the procedures described in the CREST Manual (available from https://www.euroclear.com/site/public/EUI). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider/(s), should refer to their CREST sponsor or voting service provider/(s), who will be able to take the appropriate action on their behalf.

10. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent by 11:00 am on Tuesday, 26 March 2024. For this purpose, the time of receipt will be taken to mean the time

Shareholder notes continued

(as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

11. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

12. Any corporation which is a member can appoint one or more corporate representative(s) who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers in relation to the same shares.

13. As at 26 February 2024 (being the latest practicable business day prior to the publication of this Notice), the Company had an issued share capital of 131,194,367 ordinary shares, carrying one vote each and no restrictions and no special rights with regard to the control of the Company. There are no other classes of share capital and none of the Company's issued shares are held in treasury. Therefore, the total voting rights in the Company is 131,194,367.

14. Under Section 527 of the Act, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish, on a website, a statement setting out any matter relating to:

    (i) the audit of the Company's financial statements (including the auditor's report and the conduct of the audit), which are to be laid before the meeting; or

    (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. Business which may be dealt with at the meeting for the relevant financial year includes any statement that the Company has been required to publish on a website under Section 527 of the Act.

15. Any shareholder attending the meeting has the right to ask questions. The Company must answer any such question relating to the business being dealt with at the meeting, but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

    Registered shareholders may submit their questions to the Directors in advance of the meeting by sending an email to the Company Secretary at TSU.cosec@lawdeb.com and the Company will answer these in due course.

16. The following documents are available for inspection during normal business hours from Monday, 4 March 2024 until the conclusion of the AGM at the Company's registered office and may also be inspected at the AGM venue from 10.30 am on the day of the AGM until its conclusion:

    (a) copies of the Directors' letters of appointment and service contracts;

    (b) a copy of the Articles of Association of the Company; and

    (c) a copy of the Company's Long Term Incentive Plan Rules.

    A copy of the 2023 Annual Report and financial statements (including the Notice of AGM) will be available for viewing at the Financial Conduct Authority's National Storage Mechanism, from the mailing date of this Notice.

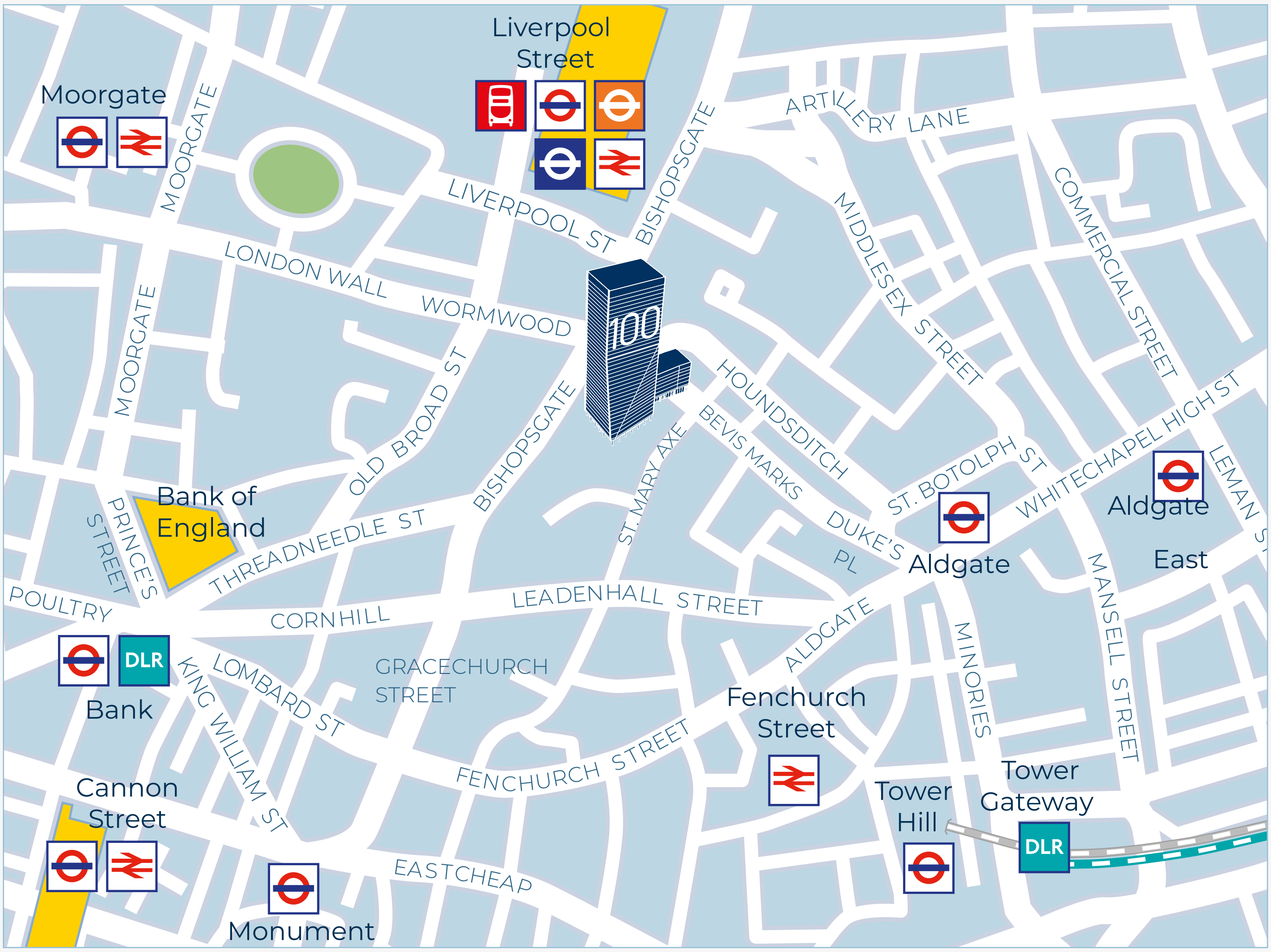
17. You may not use any electronic address provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

18. Personal data provided by shareholders at or in relation to the meeting will be processed in line with the Company's privacy policy. Detailed information on how the Company processes your personal data and what your rights are under applicable data privacy laws can be accessed on the Company's website at https://www.lawdebenture.com/privacy-and-cookie-policy.

A copy of this Notice and other information required by section 311A of the Act, can be found on the Company's website at https://www.lawdebenture.com/investment-trust/shareholder-information/corporate-governance/agm.

Annual General Meeting venue

The offices of The Law Debenture Corporation p.l.c., 8th Floor, 100 Bishopsgate, London, EC2N 4AG.



RAILWAY	UNDERGROUND	BUSES	PARKING
Main line stations within one mile include: • Liverpool Street • London Bridge • Farringdon • Fenchurch Street • Cannon Street • Blackfriars • Holborn Viaduct	**Liverpool Street** (Elizabeth, Central, Circle, Hammersmith & City and Metropolitan lines) **Monument** (Circle and District lines) **Bank** (Central, Northern, Waterloo & City lines and Docklands Light Railway) **London Bridge** (Northern and Jubilee lines)	You may select the 149, 35, 47 or 388 bus services from London Bridge or the 26 or 8 bus services from St. Paul's to Wormwood Street, which is directly across from the venue. You may also take the 205 from Old Street or the 43 or 133 bus services from Moorgate to Liverpool Street, which is a 5-minute walk from the venue.	There is limited meter parking in business hours near the venue. Parking is available at Broadgate or London Finsbury Square. There is also multi-storey parking at Aldersgate Car Park near London Wall.

The Law Debenture Corporation p.l.c. 8th Floor, 100 Bishopsgate, London, EC2N 4AG
Tel: 020 7606 5451 | **www.lawdebenture.com**